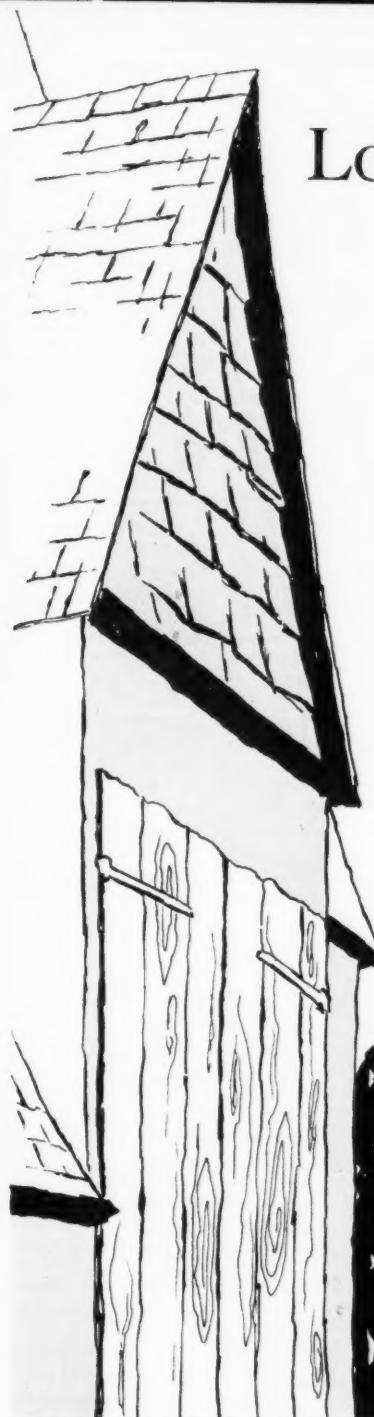


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■ JORDANS: The timbers of Old Jordans Farm came from the "Mayflower" when she was broken up in 1625. Close by is The Meeting House of the Society of Friends of which William Penn the founder of Pennsylvania was a member. Penn was born in London in 1644, the son of Admiral Sir William Penn, and spent his life in striving for religious tolerance and freedom, not only for the Quakers, of whom he was a leader, but for all religions. William Penn first became associated with that part of America later known as Pennsylvania through acting as an Arbitrator in a dispute amongst its lessees after

which, in 1663, he became one of the Trustees and drew up the first Constitution giving effect to his principles of perfect religious freedom. Subsequently, about 1681, the land was given to Penn by Charles II in settlement of an old debt of £16,000 owed by Charles II to Admiral Sir William Penn who had died in 1670. Penn wanted to call the State "Sylvania" and objected to Charles II's insistence that the prefix "Penn" should be added in memory of the Admiral. He returned to England in 1701 after living in Pennsylvania for only two short periods, and died at Ruscombe in 1713.

An artistic reproduction of this picture suitable for framing and without the advertising will be mailed on request

OHIO AGENTS CONVENTION

THURSDAY, OCTOBER 21, 1954

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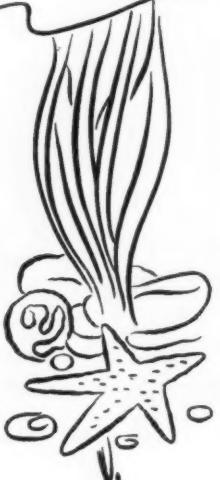


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# The NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance

58th Year, No. 42  
October 21, 1954

## Hurricane Hazel May Cost Insurers \$75 Million Plus

**Losses from Third Huge  
Blow in Six Weeks Will  
Number 400,000 to 500,000**

Within a period of slightly more than six weeks after Hurricanes Carol and Edna one-two punched the Long Island and New England areas for a staggering \$150 million dollar loss to the insurers on 300,000 claims, Hurricane Hazel tore into the eastern seaboard between Myrtle Beach, S. C. and Wilmington, N. C. and plowed a 200 mile wide path of destruction across North Carolina, Virginia, Maryland, Pennsylvania, New York and Ontario.

By mid-week companies and adjusting organizations were still trying to get in enough information to provide a reasonable estimate of what Hazel will cost. Informed observers agreed that Hazel will produce more losses than Carol-Edna. But where Carol-Edna produced a lot of sizable losses, quite a number of which also involved the complication of water damage, the average loss for Hazel is expected to be substantially less than for the earlier two storms. Hazel may produce between 300,000 and 500,000 insurable losses.

The business is probably two or three weeks away from making an intelligent guess as to what the average loss will run as a result of Hazel, but if the average were \$200, half what it now appears that Carol-Edna will produce, on a conservative 400,000 losses the total cost to insurers would be \$80 million. It certainly looks at this point as if Hazel would cost the companies more than \$50 million, and the damage might run \$75 million or more.

Coming on top of Carol and Edna, Hazel constitutes a real blow at the insurers and will certainly establish 1954 as the all-time record year for extended coverage losses, with these three storms alone accounting for more than \$200 million.

The monumental task of adjusting losses in such numbers—700,000 to 800,000 of them created in such a small space of time—presents difficulties of staggering proportions to insurance company, adjustment and agency personnel. It is recalled that it required six months to finish up the 2 million losses resulting from the northeast storm of November, 1950. The adjusting forces of the country had been called upon for all available extra men to handle the effects of Carol and Edna, and they were still heavily involved in the New England area when Hazel came in Oct. 15-16. The calls are out again for every piece of available assistance, though it is doubtful if there is enough experienced adjusting personnel in the U. S. as a whole to handle with expedition the num-

(CONTINUED ON PAGE 34)

### NYFIRO INTENSIFIES FIGHT AGAINST RATE DEVIATING

#### Legality of Allstate Dwelling Filings Is Challenged

New York Fire Insurance Rating Org. has challenged the legality and adequacy of proposed fire insurance rates on dwellings recently filed with the insurance department by Allstate. NYFIRO has requested a hearing, as an aggrieved party, before Superintendent Bohlinger and the withholding or deferral of approval of the proposal until after the hearing. The objections were set out in a letter to the superintendent.

It was considered likely that the department would grant the requested hearing but not a postponement in the effective date of the Allstate rates. However, there were indications that Allstate will oppose the granting of the hearing.

The letter charges that Allstate's proposal not only violates state insurance laws but threatens to undermine the soundness of the state regulated rate structure.

Signed by Sumner Stanley, general manager of NYFIRO, the letter attacking Allstate filings on several grounds, follows:

"The New York Fire Insurance Rating Organization hereby requests that you (Superintendent Bohlinger) grant it a hearing as an aggrieved party in connection with the alleged filings made with your department recently by the Allstate Insurance Company for private dwellings 1 to 4 families and private dwellings 5 to 20 families.

"The basis for this demand for a hearing is as follows:

"At the request of the New York

(CONTINUED ON PAGE 18)

#### Judges Review Stay Request in North America Ruling

New York Fire Insurance Rating Org. served a show cause order on the insurance department and North America companies asking that they give reasons why a judicial review and a stay should not be given the department's decision of Sept. 14. The order was returned Monday, the hearing granted, and at midweek the problem was still being argued in the appellate division of the New York supreme court.

NYFIRO pointed out that for more than half a century the North America companies supported the state-regulated, quasi-public NYFIRO in compiling impartial scientific ratings of city fire defenses and other elements of establishing equitable, non-discriminatory fire rates for the whole public.

Sumner Stanley, general manager of NYFIRO, pointed out in an affidavit that the organization, as required by state rating law, supplies its data to mutual companies as paying subscribers as well as to stock companies. NYFIRO contends that the state rating law requires in the public interest that rates shall be adequate to maintain company solvency and good insurance service for all classes of insured and not discriminating or inequitable for any group of policyholders.

It resists the claim of North America companies that they can "pick off the counter whatever they choose of NYFIRO rating data and sell policies in their own way." NYFIRO contends

(CONTINUED ON PAGE 34)

### FTC Complaints Are Filed Against 17 A&H Insurers

**Companies' Premiums Total  
\$300 Million, One-Third  
of All Individual Policies**

WASHINGTON—The Federal Trade Commission has issued complaints against 17 companies writing A&H and hospitalization insurance, charging false and misleading advertising. The 17 companies account for more than

**FTC chief says state regulation not being preempted. Story on Page 4.**

\$300 million in annual premiums, representing about a third of the total individual-policy A&H business in the United States. Each company is allowed 20 days in which to file its answer.

In the following list of companies complained against, the date shown is that set for the first hearing on the charges against the company. Each hearing will be held in the company's domiciliary city. Numbers following the date are those used by the FTC to classify practices on which complaints are based, and these are explained after the company list.

The 17 companies are:  
American Hospital & Life, San Antonio. Dec. 20, 1,2,3,8.

American Life & Accident, St. Louis. Dec. 14, 1,2,3.

Automobile Owners Safety Ins. Co., Kansas City. Dec. 13, 2,7.

Bankers Life & Casualty, Chicago. Dec. 15, 2,3,5,6,7.

Commercial Travelers, Salt Lake City. Dec. 17, 1,2,3.

Commercial Travelers Mutual Accident Assn., Utica, N. Y. Dec. 20, 1,2,5.

Guarantee Reserve Life of Hammond, Ind. and its officers, Ben Jaffe, Jerome F. Kutak and Eugene Jaffe. Dec. 8, 1,2,3,4,7.

Guarantee Trust Life, Chicago. Dec. 13, 2,6,7,8.

Illinois Commercial Men's Assn., Chicago. Dec. 10, 1,2,8.

LaSalle Casualty, Chicago. Dec. 14, 1,2,3,7.

Life Ins. Co. of America and its officers, John W. Kane, Sydney Himell, Nelson Currier, Frank Siegrist and Julius Katz, Wilmington, Del. Dec. 21, 1,2,3,8. This company and its officers are charged additionally with falsely representing that the firm is an old established reliable life insurance company, and one of the pioneers and leaders of the accident and health insurance field. The complaint cites such claims as "one of America's leading underwriters of hospitalization insurance" and "the company behind your policy is strong, reliable...one of the pioneers in hospitalization insurance..." Actually, the complaint says, the corporation is less than two years old and its volume of life insurance is insignificant.

(CONTINUED ON PAGE 30)

### Late News Bulletins . . .

#### Temporary Stay of North America Rates

NEW YORK—At press time it was understood that the state court had granted a motion for a temporary stay in the effective date of North America's filing of a 10% reduction in dwelling rates in this state. This resulted from New York Fire Insurance Rating Org.'s application to the court for an injunction against use of the rates by North America. The rates had been approved by the New York insurance department, which was also a defendant in the NYFIRO action, effective Oct. 21. The order, it is understood, sets Nov. 10 for arguments in the case. At press time, according to report, the order had not been signed.

#### Growing Interest in No Bite Auto FR

There is an increasing amount of interest in the idea of amending the automobile financial responsibility law so that the automobile owner or driver must have evidence of FR before an accident and including a section providing that it is a misdemeanor not to have such evidence. The problem of having a plan with which to counteract the threat of compulsory came up in a prominent way at the regional meeting of New York State Assn. of Agents in Garden City Tuesday. Though the discussion of this idea as an alternative to compulsory has been largely devoted to the situation in New York State, one of the attractions of the proposal to insurers and producers is that it would provide a pattern for other states. Reports are that the pressure for compulsory or an alternative is rising in other states, and there is likely to be real effort to get some kind of legislation when legislatures meet next year in Colorado, Wisconsin and probably Ohio.

Another attraction of the no bite FR law approach to the problem of the

(CONTINUED ON PAGE 40)

## Auto Insurance Still Big Problem for Wisconsin Agents

**Elect Batenburg President at Milwaukee Convention, Attendance Near 600**

By CHARLES C. CLARKE

MILWAUKEE—The optimism voiced in various quarters over the automobile situation doesn't extend to Wisconsin. This problem, almost becoming a traditional annual convention feature, again got the major attention of the nearly 600 attending the Wisconsin Assn. of Insurance Agents meeting here this week.

John J. Batenburg of Racine was elected president succeeding Don R. Morrissey, Appleton, who becomes chairman. Arthur R. Moss, Beloit, was named vice-president; Phil J. Hausmann, Madison, secretary-treasurer, and George A. Timm, Kenosha, state national director. Paul H. Mast continues as executive secretary.

Named to serve as along with the officers as directors were D. C. Pisha, Sturgeon Bay; John J. Freisinger, La Crosse; Robert Buttenhoff, Eau Claire; Robert Petri, Fond du Lac; William Gottsacker, Sheboygan, and Matthew P. Zendzian, Milwaukee.

Reporting for state national director J. L. Ashton, who is vacationing in Hawaii, Mr. Timm said signs of improvement in the auto problem "certainly must be elsewhere than in Wisconsin." While agents remaining loyal to National Bureau companies may have succeeded in retaining a large percentage of their automobile account, the speaker suggested they lost considerable new business. He said few agents have not found it necessary to seek assistance elsewhere, "in some cases with very good companies that came to the rescue with a realistic approach to the unhealthy competitive situation in which we had been placed." Many agents, he added, made new company associations as the only solution.

Mr. Timm said buyers can't be blamed for price consciousness. It is continually stressed in advertising and particularly is a problem in Wisconsin where company rate differentials reach the extreme. This has had a great effect on those who have become auto insurance buyers in the past seven years, many of whom have not had an opportunity to realize the advantages of doing business with agents who offer services not now available to them. Unless insurers soon realize the precarious position of the Wisconsin agent, Mr. Timm averred there will be more than just the loss of auto insurance, and not necessarily to the direct writers.

Reviewing the last Midwest Territorial Conference meeting, Mr. Timm mentioned several areas that are getting close scrutiny. Elimination of removal endorsements is still an objective, the agents arguing that return and additional premiums would about offset each other, or at least be offset by reduction of handling expense both for agents and companies. Another goal is to get companies to use a policy designed in such a way that from one to as many companies as are represented by an agency may participate. Other matters under consideration are ex-

clusion of car sales profits in writing business interruption for garages; inclusion of unloading and piling costs in determining cash value of lumber; specific rating of high valued, unprotected suburban property; inclusion of vandalism and malicious mischief in the EC endorsement; elimination of different dwelling fire rates for wood shingle and approved roofs.

Mr. Timm termed as a growing danger the changing attitude toward term discounts. First there was the annual renewal extension plan and now in

(CONTINUED ON PAGE 40)

## Elect Gaffney General Manager of Surety Assn.

Warren N. Gaffney, insurance commissioner of New Jersey, has been elected general manager of Surety Assn. of America to succeed the late Martin W. Lewis.

Mr. Gaffney, who has been commissioner since 1950, will have over-all supervision of the activities of the association, which has a membership of 74 stock companies engaged in fidelity, surety and forgery bond underwriting.

He was graduated from Fordham university law school in 1922, was admitted to the New York bar in 1923 and the New Jersey bar in 1926. He is a member of New Jersey Bar Assn., New York County Lawyers Assn., and American Bar Assn.

In his four and a half years as a member of National Assn. of Insurance Commissioners, Mr. Gaffney was chairman of the committee on unauthorized insurance in 1953-54 and was particularly outstanding in probing the activities of unauthorized and unlicensed insurers and in curbing such activities. He also served on the uniform accounting, A&H, Fire and marine and valuation of securities committees.

## Highlights of the Week's News

Program given for National Assn. of Mutual Insurance Agents New York convention Oct. 25-27. ....	Page 11
Arkansas fire rate hearing to resume Oct. 29. ....	Page 6
Saskatchewan G. & F. Montana case to be tried this fall. ....	Page 14
NYFIR intensifies fight against rate deviating, challenges Allstate filing, gets court review of request for stay in North America ruling. ....	Page 1
FTC files complaints against 17 A&H insurers, says it is not preempting state regulations. ....	Pages 1 and 4
Put \$75 million damage estimate on Hurricane Hazel. ....	Page 1
Wisconsin agents elect John Batenburg president. ....	Page 2
Commissioner Gaffney of New Jersey named Surety Assn. general manager. ....	Page 2
John F. Kirby elected Rhode Island agents president. ....	Page 2
Commissioner Navarre answers unauthorized insurance complaints in Michigan. ....	Page 2
Ohio agents hold annual convention at Columbus. ....	Pages 37-39
Emergency garage rate increase, averaging 25%, asked by North Carolina Automobile Rate Administrative office. ....	Page 28
A study of union welfare funds and their administration is to be undertaken by the U. S. Chamber of Commerce. ....	Page 28
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Hurricane Carol losses rise; insurers become more sober. ....	Page 7
H. Clay Johnson declares industry has given commissioners powers changing entire business. ....	Page 9

## Rhode Island Agents Elect John F. Kirby

PROVIDENCE—Ellis H. Carson, president of National Surety, told the Rhode Island Assn. of Insurance Agents at its annual banquet Monday night that the nation's expanding economy, giving the masses vast purchasing power, is opening new horizons for the insurance agency system. His talk is reported on page 15.

George A. Bisson, state insurance commissioner, told the 284 members and guests that Hurricane Hazel, which did little physical damage in Rhode Island, will cause delay in adjustment of late insurance claims for property damaged here by sister hurricanes, Carol and Edna.

He said that insurance adjusters on catastrophe duty here are being pulled out before their job is done to adjust claims in the new eight-state catastrophe area swept by Hurricane Hazel last Friday.

"Never before have the insurance companies been in a position of having to take adjusters from one catastrophe area and assign them to another," Bisson said.

Estimating 100,000 claims will result from Carol and Edna damage, with loss payments totaling \$100,000,000, Bisson said that between 40,000 and 50,000 claims remain to be investigated.

"Patience will be needed on the part of everyone," he said.

At its afternoon business session, the association elected John F. Kirby of Woonsocket as president to succeed Howard R. Chase Jr. of Providence, who becomes state national director.

Mr. Kirby, president of John F. Kirby, Inc., started his own insurance business in 1914, two years after graduating from Holy Cross College. He formed the corporation he heads in 1938. His son, John E. Kirby, is vice-president.

He was president of the Woonsocket Assn. of Insurance Agents for three years, and was vice-president of the state association for two years.

Other association officers are Frank J. Lowrey, partner in Cote & Lowrey of Pawtucket, and Raymond G. Hawkins of Sanderson Bros., Inc., Providence, vice-presidents, and George C. Hughes, secretary-treasurer. Mr. Hughes has been executive secretary since 1949.

Retiring President Chase reported association membership has risen to an all time high of 307 member agencies, a gain of 14 during the year.

An open forum discussion on workers' compensation insurance was held after the business meeting. Taking part were George Roche, chairman of the state workers' compensation commission; Robert D. Heitzmann, assistant secretary, National Council on Compensation Insurance, New York, and Joseph L. Breen, chief of the state division of workers' compensation. Carleton I. Fisher was moderator.

## Texas City Suit Ready for Trial in Galveston

Scheduled for trial this week at federal court in Galveston is a \$3,500,000 damage suit against eight insurance companies growing out of the 1947 Texas City disaster. Preston Shirley, attorney for Texas City Terminal Railway, through which the company filed suit for property destroyed in the blast, said the point to be determined is whether it was fire or explosion that destroyed the transit company's property.

## Navarre Hits Back at Criticisms of 'Candidate' Martin

LANSING, MICH.—Commissioner Joseph A. Navarre of the Michigan department hit back sharply last week at Auditor General John B. Martin who has been criticizing the department for alleged laxity in handling the problem of unauthorized coverage.

Martin, who contended in a number of speeches and statements that the state was losing substantial amounts in premium taxes because of the use of unlicensed carriers by Michigan residents, was accused by the commissioner of voicing his complaints without ever having contacted the department.

"The auditor general," said Commissioner Navarre, "is conducting himself very much like a man running for office. (Martin is a Republican candidate for reelection Nov. 2 and Navarre is an appointee of Democratic Gov. G. Mennen Williams who also is seeking reelection.)

"He has not yet seen fit to communicate with the commissioner or any member of the insurance department setting forth a single criticism of its function or procedure. He seems to have overlooked the fact that, as auditor general, he has a duty and responsibility to report his findings and any criticism to the governmental agency involved."

Mentioning Martin's most recent critical outburst before the Grand Rapids bar association, the commissioner declared the department has offered "full and complete cooperation" in the auditor general's "investigation."

"Blanket criticisms and generalizations made by Mr. Martin," said the commissioner, "indicate his lack of knowledge of the problems involved. He has not made a complete and thorough investigation of any of the subjects he has so glibly discussed in public. He has been ready and eager to criticize the department of insurance and to investigate afterwards, as he proved by his trip to Missouri to find out what his own law books would have told him, had he read them. Evidently Mr. Martin is not satisfied with the laws of Michigan. His criticisms of the laws should be directed to the Michigan legislature. The auditor general's office has approved the insurance department's procedures all during Mr. Martin's term of office, and before that time, in connection with the very matters about which he is now critical."

"The 'high risk' insurance problem he is now so concerned about, as reported in the press, has been a problem all during Mr. Martin's term of office...and long before the present insurance commissioner was appointed. The interest Mr. Martin has shown with reference to seeing that taxes on Michigan premiums are collected insofar as he is concerned is long over-due. He is now near the close of his second term as auditor general. It is about time he shows some interest, if any is to be shown by him. The situation with reference to the law is the same as it has been since long before he came into office."

"If Mr. Martin has found anything in his pre-election 'audit and investigation' of such nature as to improve the service of our department to the public and the state...will he kindly communicate the information to the insurance department?"



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## ONLY FIRST BATCH OF COMPLAINTS

**FTC Not Usurping State Regulation, It Says**

WASHINGTON—At a press conference Chairman Howrey of FTC said the complaints filed against 17 A&H insurers "does not represent activity in an area properly subject to the exclusive jurisdiction of state governments." He said also that "we are not in any way trying to regulate the insurance business. That is a matter for the states."

All state insurance commissioners have been contacted by FTC representatives or vice versa, he added. He said he assumed when the information in the complaints is brought to their attention they will try, if they can, to get these practices stopped.

This represents only the first batch of complaints, he said. On these 17 "our jurisdiction is pretty clear," he stated, under public law 15. "We have found some practices engaged in by hundreds of other companies" that appear to be objectionable. However, FTC is doubtful of its jurisdiction in some of these other cases because of

the operation of state laws. The 17 complaints relate to the advertising activities of companies subject to federal jurisdiction.

He referred to self-regulation codes of certain groups, particularly those of H&A Underwriters Conference and Bureau of A&H Underwriters, which represent a total of some 300 companies. He expressed appreciation of cooperation received by FTC from the insurance commissioners.

Mr. Howrey said FTC is studying the advertising of group A&H writers, but made it clear group business is not involved in commission complaints to date.

He declared FTC does not want to penalize companies, but to stop objectionable practices. He said 800 insurers have been investigated. He was not certain that the field has been completely covered because it is a new rapidly growing business.

He declared there is no connection between FTC action and the adminis-

tration's reinsurance program. The FTC is concerned with only one issue, whether policies live up to published advertisements. It is not concerned with terms of the policies themselves, which are subject to state regulation. Published advertisements could mean mail order representation and agent solicitation.

He said FTC would be prepared to consider a consent order against insurers. Under this procedure, facts can be admitted and terms of an order agreed upon. This procedure would save the government a lot of money, he said.

Insurance people believe the cited companies will challenge FTC jurisdiction on the ground that state laws provide for regulation. View of some FTC people is even though there may be state laws, their enforcement or administration in many instances is not sufficient to constitute real state regulation within the meaning of the McCarran act.

**N. C. Disapproves  
Interbureau Filing**

The comprehensive dwelling policy developed by Interbureau has been turned down in North Carolina because of statutory limitations.

Commissioner Gold said in announcing disapproval of the policy that N. C. statutes on the standard fire policy permit some variations. This filing, he said, seeks to come within the permissible variations but sufficient evidence was not presented at the hearing to indicate that the policy was within the variations permitted by statute.

He held a public hearing on the filing on Sept. 14. Bureaus represented were the North Carolina Fire Insurance Rating Bureau, Inland Marine Insurance Bureau, Transportation Insurance Rating Bureau, National Bureau of Casualty Underwriters and Mutual Insurance Rating Bureau.

**Michigan Mutual Agents  
Set for Detroit Rally**

Michigan Mutual Assn. of Mutual Insurance Agents will hold its annual convention at Hotel Statler in Detroit Oct. 28-29. The first day will consist of a board meeting and dinner and a 1752 Club dinner.

Among the speakers the following day will be Ronald A. Butler, Michigan Inspection Bureau, Detroit, speaking on "Auditing and Rating Problems"; Norman Trebilcock, Badger Mutual regional vice-president, on "A \$10,000 Investment"; Charles Fleetwood, agency relation department Grain Dealers Mutual, "Fire Prevention"; R. B. McKenzie, bond department Auto Owner Ins. Co., "How to Increase your Bond Sales", and Paul R. Gingher, executive vice-president State Automobile Mutual, Columbus, O., "The Agent and his Future."

The final day will begin with a business session with President Fred Stringham, Farm Owners Mutual district manager, Detroit, presiding; Harold G. Holmes, Northwestern Mutual Fire Assn., will talk on "Broad Form Types of Dwelling Policies", and L. W. Larson, assistant secretary Lumbermens Mutual Casualty, "Survey Selling".

The program also includes a luncheon on Thursday and a hospitality hour and banquet with the guest of honor, Commissioner Navarre of Michigan. Speaker at the Friday luncheon is Joseph V. Brady, executive vice-president Citizens Mutual, and that morn-

ing there will be an annual combined breakfast business meeting.

**Fire Association  
Promotes Several**

Fire Association has appointed Paul C. Thompson resident manager at Baltimore, succeeding John H. Beck, who goes to the head office to assume new responsibilities. Mr. Thompson has been state agent at Albany, a position he assumed after joining the company in 1947 and spending a time as special agent in the Philadelphia territory.

John M. Parker succeeds Mr. Thompson at Albany. After war service he joined Fire Association and his first assignment was as special agent in the northern New Jersey territory.

Frank Early, who has been a marine underwriter at the head office, has been assigned to the East Orange, N.J. field as marine special agent under Resident Manager Joseph Junion. Mr. Early has been with the company since 1950.

William J. Becker Jr. has been appointed marine special agent for Maryland, District of Columbia and eastern Virginia under Mr. Thompson. Mr. Becker has been a marine underwriter in the Philadelphia office.

**Minn. Dept. Looms  
As Campaign Issue**

ST. PAUL—Charging that Governor C. Elmer Anderson has failed to stand up under pressure of big insurance companies, Orville Freeman, Democratic gubernatorial candidate, has made supervision of the Minnesota department one of the election issues.

Mr. Freeman called the governor's refusal to reappoint A. Herbert Nelson as commissioner "a shocking example of political timidity" resulting from disapproval of Nelson by insurance companies "who had been used to running the state regulatory agency for their own interest."

Governor Anderson made no reply to the charges, but another Republican candidate, Bernard LeVander, who is in the race for attorney-general, has challenged Mr. Freeman to supply the names of persons or companies so involved and called the blast an indirect attack on Commissioner Cyril Sheehan.

**American-Associated  
Companies Promote 3**

Three staff promotions have been made by American-Associated companies. David H. Wilson is being transferred from Dallas to the head office as superintendent of the field division; John A. Myers, underwriting manager at Kansas City, has been named assistant branch manager at Dallas to succeed Mr. Wilson, and Fred C. Erbele, Jr., head office liability supervisor, becomes casualty manager at Kansas City.

Mr. Wilson started in insurance in 1932 as a special agent for a Kansas City general agency, later joining Aetna Casualty in the same post. He went with American-Associated in 1938 and was field underwriter at Kansas City until 1942, when he entered the army. After service he went with Service Mutual of Texas, rejoining American-Associated at Detroit in 1949. He has held the Dallas post since 1952.

Mr. Myers began in insurance in 1933 with Hartford Fire in Chicago, later going with an insurance brokerage there. He joined American-Associated in 1946.

Mr. Eberle, an air force veteran, started with Liberty Mutual in 1946. He joined American-Associated in 1953,

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# FIRE PREVENTION WEEK

*52 times a year...*



Each October Fire Prevention week commemorates the Great Chicago Fire of 1871—and focuses national attention on the hundreds of millions of dollars lost annually in fires. Communities and individual citizens make concerted efforts to eliminate fire hazards and to reaffirm resolutions on fire prevention.

Agents of American Manufacturers Mutual Insurance Company are leaders not only in civic fire prevention work during this commemorative week but also throughout the year—all 52 weeks. AMM fire protection engineers make thousands of inspections annually, and AMM agents personally distribute fire inspection blanks, fire prevention literature and folders on specific hazards as well as following up on the engineers' recommendations.

This loss prevention activity is a tradition with this 116-year-old company. It affords dividend-savings for policyholders. It builds good business for agents. It contributes to the national welfare every day, every week, 52 weeks a year.

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## Ark. Fire Rate Hearing to Continue Oct. 29

LITTLE ROCK—Continuation of the hearing before the Arkansas Legislative Council's committee on corporations, insurance and banking on the alleged excessive profits and so-called high rates of the fire insurance companies is scheduled for Oct. 29, it was learned from authoritative sources this week. Sen. John Cloer, Springdale, who touched off the investigation last February, has asked that a number of witnesses be called. Included in the list he submitted are: Commissioner Combs; former Commissioner J. Herbert Graves, now vice-president of National Old Line Life; Walter Plangman, manager of Arkansas Inspection & Rating Bureau, and a number of mutual insurance agents.

The committee, headed by Rep. Clifton Wade, Fayetteville, began a formal hearing last July at which time Mr. Plangman and officials of the bureau, assisted by Kent Parker, manager of Western Actuarial Bureau, Chicago, presented an impressive array of statistics and data showing proper fire rate reductions have been made in the course of the past decade and that, with adjustments made last November, fire company profits are, in fact, at the 5% level allowed by law. This presentation is now a part of the record.

Sen. Cloer was present at the July hearing and at its conclusion requested a continuation so that he might call a number of witnesses. Witnesses appearing Oct. 29 will be doing so voluntarily at the invitation of the committee, since the latter does not have subpoena powers. Only the legislative council as a whole, composed of about 30 prominent legislators from both the house and senate, has this authority and undoubtedly could subpoena any and all witnesses for the Wade committee should the latter feel it necessary to so request.

## Royal Exchange Moves Baltimore Office

Maryland service office of Royal Exchange group has moved to new quarters at 801-804 Munsey building in Baltimore. L. A. Malsbury, state agent representing the fire and casualty companies of the group, is in charge of the office.

## City Plans Described to Cincinnati Underwriters

Information about Cincinnati plans was given members of Cincinnati Underwriters Assn. by C. A. Harrell, city manager, at the regular meeting of the local board. Mr. Harrell described a number of improvements which will be made in Cincinnati's fire-fighting facilities in the future.

L. A. Hellming, president of the board, presided. A. M. O'Connell outlined Fire Prevention Week activities. B. J. Houston, Cincinnati's fire chief, and C. J. Williams of the Underwriters Salvage Corps were also guests of the association.

## 'Rehires' Retired Employees

United Services Automobile of San Antonio is taking a new approach to the retirement problem. The organization, a reciprocal, has compulsory retirement at age 60 for women and age 65 for men, but retiring employees have the opportunity to rejoin the company under a rehirement program pro-

vided they can pass a physical examination and agree to undergo annual medical examinations. Also, there must be a job vacancy. The rehired employees are not used in any operational supervisory capacity, and their salaries depend on the job. The association can discontinue "rehirement" of any individual any time, and in any event the rehired employees must retire permanently at age 65 for women and age 70 for men.

## Stolen-Car Recovery Jumps to 93% in N.Y.

NEW YORK—Recoveries of cars stolen in New York state have jumped to 93% in the National Automobile Theft Bureau's last fiscal year, as compared with 87% in the previous year, Charles Black, the bureau's eastern division director, told the Automobile Claims Assn. meeting here.

Nationwide auto recoveries are running 92.9% of thefts and the latter are decreasing, despite an increase in registrations to 56,313,251. Thefts dropped from 112,600 in the first half of 1953 to 110,000 for the first half of 1954.

Mr. Black attributed the high nation-wide rate of recoveries in the last year partly to the rounding up of a Massachusetts gang that yielded 200 cars. Mr. Black and Assistant Director Ray King showed a film produced by the bureau and the Texas public safety department showing how thieves operate and how the authorities apprehend them.

## Mass. Auto Rates Cut

Massachusetts compulsory automobile rates will be those tentatively announced by Commissioner Humphreys in September. The new schedule will produce an average decrease of 6.3%, with greater savings for many high-rated zones and for young driver classes.

In his final promulgation the commissioner withdrew a proposed rule which would have made the first three sets of plates to any automobile dealer take rates at least equal to class three private passenger rate for the locality. The dealers' rates remain based on the number of sets of registration plates issued to them.

## G.A.B. Changes in Oregon, Wash.

Owen R. Middlekauf has been named manager of the Medford, Ore., branch of General Adjustment Bureau, succeeding William A. Sabel, who has been transferred to Portland. Mr. Middlekauf has been at Tacoma.

Joseph A. Carlton has been advanced to GAB manager at Bend, succeeding A. E. Hunt, who moves to Salem, and R. R. Darnell, formerly at Walla Walla, is now resident adjuster at Pendleton.

## Correct Agency Affiliation

In THE NATIONAL UNDERWRITER of Oct. 14, George B. Maggini was incorrectly identified as being with the "Albert A. Shell & Co." agency of Cincinnati. The correct name of this agency is A. W. Shell & Co., but Mr. Maggini is secretary and general manager of Perkins & Geoghegan. Our apologies to both these prominent agencies and their principals.

## Hawkeye-Security Names Meskan

Robert Meskan has been named a home office casualty claim examiner by Hawkeye-Security. He will supervise one of the company's three claim territories.

For the past four years he has been claims manager for the company at Sioux Falls, S.D.

## Insurers More Sober About Effects of Carol as Losses, Average Size Rise

NEW YORK—Company underwriters and executives who were reasonably calm and even cheerful about the insurance effects of Hurricane Carol now wear a somewhat more sober mien. In both amount and number, losses are running substantially heavier than many of those in the business thought would be the case. Getting losses adjusted promptly enough to suit the customers has been difficult because of the number of them and, in many cases, because of the complication of determining which came first, the wind or the water.

The storm (Edna damage was so much less that it is not considered much of a factor) had the effect of guaranteeing quite a number of insurers an underwriting loss for the year. Some insurers were hit a good jolt and will show losses in surplus. One difference between Carol and the northeast storm of 1950 is that all of the effects of Carol will be felt in one year and will be reflected in the year-end statement, whereas in 1950 many losses went over to 1951 and the effects of that storm were felt in two years and on two statements.

Some New England insurers, aware of the difficulties of insuring property adjacent to the sea, were not as hard hit as outside insurers which were committed by producers to a considerable amount of shore or near-shore coverage. Competition, particularly for dwelling business, has been keen in New England, and some insurers paid more for business than the going rate in other regions.

There is currently more difference of opinion on the total insurance loss from the combined Carol and Edna hurricanes than there was three weeks ago. However, with the number of

### U.S.F.&G. Educational Meeting in Indiana

An educational meeting was held by U.S.F.&G. at French Lick Springs, Ind., sponsored by the Louisville branch for agents in the area. Speakers were Frank F. Dorsey and E. G. Hundley, vice-presidents; W. E. Pullen, vice-president and agency director; J. Dillard Hall, associate agency director; Hugh E. Richeson, assistant vice-president; T. Ramsay Taylor, advertising director; Kenneth Karow, assistant manager; J. L. Brooks, superintendent of claims; Leland Meeks, Kentucky state agent; Charles Boone, fire special agent; and Tom Boone, superintendent of safety engineering. M. O. Diggs, Louisville manager, presided at the two business sessions.

Charles L. Phillips, executive vice-president, was speaker at the dinner at which John E. Messick, resident vice-president of the Indianapolis office, was toastmaster. Special guests at the dinner were Commissioner Goebel of Kentucky, W. T. Hockensmith, assistant commissioner, John P. Mallett, director of the casualty and surety division, and Kirtley Hockensmith, Jr., executive assistant, all of the Kentucky department, and Commissioner Wells of Indiana.

The company recently held a similar meeting at Brandon, Vt., sponsored by the Springfield, Mass., branch. Warren D. Thomas, special agent in Vermont, presided. Charles A. Hancock, assistant secretary of the fire and marine department, spoke on the new comprehensive dwelling policy.

losses climbing beyond anyone's expectations, and the average size of loss rising as more and more of the larger claims are disposed of, \$150 million on more than 300,000 losses does not seem to be at this point a bad outside guess.

Both Massachusetts and Rhode Is-

land are producing many more losses than early estimates.

An informed estimate now places the number in Rhode Island at a possible 100,000, and they could average out as much as \$500 apiece. They are currently averaging about \$275, and the big losses have not yet been settled—which is a natural pattern in large storms. The average could reach \$300 to \$400, and adjusters admit that they could go to the higher figure.

In Massachusetts the current assessment places the number at 150,000 at the outside, and here it is believed that

the average will exceed \$400 and could go to \$500, though currently it stands at around \$225—again with the large losses yet to be settled. The figures for Rhode Island and Massachusetts are for all kinds of insurers.

It is suggested that Massachusetts and Rhode Island will account for perhaps 75% of all losses from the two hurricanes. Using the largest figures for number and size, the cost to insurers in Rhode Island could end up at \$50 million, and for Massachusetts \$75 million.

(CONTINUED ON PAGE 33)



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## Overseas Employees Tough Problem In Federal A&H Group

WASHINGTON—Inclusion of State department overseas employees poses a tough problem in the formulation of the projected group A&H program for all federal civilian employes. A White House task force has been working with the civil service commission and a group of life company experts on the problems involved.

According to White House sources it may be impossible to obtain a group policy from private insurers providing the necessary coverage. The alternative suggested is government insurance of its overseas employes and their dependents.

Obstacles mentioned in the way of commercial coverage include differences in price levels around the world and variations in exchange rates which an insurance company would have to protect itself against. Also the quality of medical care varies and it is difficult to distinguish between the competent doctors and those that are not so able.

Another obstacle is that charges of foreign doctors for services to Americans have been often found to be unreasonable and it would be much more difficult to "negotiate" these charges downward for a commercial company than for the State department, with the prestige of the American government behind it.

Another factor to be considered is the difference in sanitary and living conditions and the effect of bad conditions in those fields upon the risks involved.

## Hansen & Rowland Files Defense to Maloney Charges

LOS ANGELES—Hansen & Rowland of California, surplus line brokers with offices in San Francisco and Los Angeles, accused by the California department of writing malpractice insurance for members of Los Angeles County Medical Assn. in violation of the insurance code, has filed its second notice of defense, and requests a special advance hearing on certain sections of the accusations.

The accused say they never were notified by the department that the placing of such insurance was a violation; that the allegations do not show the placing of insurance in non-admitted insurers and that respondent failed to affect termination of insurance within 10 days; that they fail to state any acts or admissions upon which the commissioner may proceed because by rule and regulation surplus line brokers were excused from filing with the commissioner if filed with the stamping office of Surplus Line Assn.; that the accusation does not state acts or omissions upon which the commissioner may proceed.

Hansen & Rowland say that Surplus Line is not a part of the department of insurance, is not an agent of the commissioner, is not a governmental or quasi-governmental agency, nor does it possess quasi-legislative or quasi-judicial authority, nor is it an administrative agency of the state.

Also, it is not true as a matter of law that a surplus line broker, and respondent in particular, could not and may not use the rates of an admitted insurer as a basis for determining such insurance had been so placed at rates not lower than the lowest accepted rate by an admitted insurer.

## Agency Marks 50th

Paul J. Jullien and his associates in the J. B. Friel agency in Waterville, Me., were guests at a dinner marking the 50th anniversary of the agency as a representative of American group. The company was represented by H.

Philip Freud, New England manager, Martin F. Roach, assistant manager, and Everard E. Hall, Maine special agent. Also present were Mr. and Mrs. Jullien, Margaret M. Jullien, Robert Hawks, and Mrs. Alice Shores of the agency staff.

Mr. Jullien, who has been president of the agency since 1932, received a scroll from Mr. Freud. The agency owner is a past president of Maine Assn. of Insurance Agents.

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## H. Clay Johnson Analyses Changes in Fire Insurance Under the All-Industry Laws

A penetrating analysis of the present situation of the fire insurance business was given those attending the insurance institute at the University of Nebraska by H. Clay Johnson, deputy U. S. manager of Royal - Liverpool group. He mentioned changes in the rating laws with the new issue of partial subscriberships, package policies, nationwide marine definition, regulation, the issue of standardization, compulsory insurance and atomic energy risks, and commented pointedly on the number of changes that have occurred under the all-industry laws "with very little discussion as to underlying theory or ultimate result."

An honest reappraisal of the present regulatory system makes it apparent, Mr. Johnson declared, that the industry has abdicated its right of self-determination and has invested in the commissioners powers which can change the entire complexion of the business. "In our zeal for a system of regulation which would satisfy the requirements of public law 15, we have placed beyond our own control the future destiny of our business. When problems of the magnitude (of those current) are left to the judgment of individual commissioners, one can hardly expect the same degree of uniformity of treatment which would result from company action through established organizations."

Insurance is in a great transitional stage, Mr. Johnson said, and is just now emerging from its first decade of experience following the SEUA case. After eight years of the all-industry rating laws, there is arising a reappraisal of their effects, of which one of the most important is the matter of partial subscription.

The decision in the NYFIRO case against North America as handed down by the New York department and the results of the appeals to be made from that decision may determine the entire future conduct of the fire business, Mr. Johnson said. The filing action independent of NYFIRO gives rise to the problem of maintaining stock company rating organizations and the solidarity of their membership.

The development of package policies poses another problem to the all-industry type of regulation. It is an innovation that was not contemplated by the rating bills. The question is whether they should be handled as joint filings by fire, casualty and inland marine bureaus acting cooperatively; classified under only one of these categories, or under a new miscellaneous category. All three methods are now in use and some solution is needed as a guide for the future.

Mr. Johnson commented that if the mere combination of coverages in one document justifies attachment of a miscellaneous classification for rate filing purposes with no necessity for reconciliation of these combination rates or coverages with those separately filed through rating bureaus, "it makes a mockery of the all-indus-

latory system. However, there are many obstacles to the joint filing of combination policies.

"The most surprising thing," he stated, "is that these developments have taken place with very little discussion among rate regulatory authorities or others about theory or result and with almost a sense of abandon on the part of many of those who were so precise in their original concept of rate regulation following the enactment of PL 15. One might even say that expediency has become the rule of the day."

The current picture as regards the standard fire policy is an equally confusing aspect of modern insurance, Mr. Johnson said. It was thought at first that the rule involving the policy was a deterrent to developing multiple line or package policies, and although this is true in several states, it has been avoided in others by classifying it as miscellaneous and filing it separately through a new rating organization, as in the case of the so-called manufacturer's output policy. The same problem can arise in connection

(CONTINUED ON PAGE 32)



H. Clay Johnson

ships, package policies, nationwide marine definition, regulation, the issue of standardization, compulsory insurance and atomic energy risks, and commented pointedly on the number of changes that have occurred under the all-industry laws "with very little discussion as to underlying theory or ultimate result."

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## Actuaries Hear A&H Improvements Outlined by Phillips at Annual Rally

BOSTON—Wider use of "deductibles" and waiting periods in connection with A&H was suggested as desirable in reducing claim costs, better meeting policyholders' needs and helping to further spread this type of protection, in a paper presented here at the annual meeting Society of Actuaries by James T. Phillips, vice-president and chief actuary of New York Life.

Mr. Phillips pointed out that 72% of his company's claims were for \$100 or less; in the case of hospital expense policies, 80% were of this size; and on one type of accident policy, these smaller claims accounted for 87% of the aggregate.

He indicated this claim experience pointed to the need for increased use of deductible amounts, exempting certain initial expense amounts, and longer waiting periods before claim payment began, rather than first-dollar, first-day coverage. It was his suggestion that more emphasis could profit-

ably be placed on insurance against less frequent but more substantial A&H costs.

"The answer might be, for hospital and medical expense benefits, that the insured might be required to bear the first \$25 or \$50 or so of the actual cost of such benefits," he said. "Similarly, for loss-of-time coverages, the benefits presumably might begin with the eighth day or even later. If we are to inculcate a conception of sound insurance principles in the public mind, we have to educate the public away from expecting coverage for the first dollar of claim cost—a cost which is more in the nature of a budgetary item."

Another suggestion made by Mr. Phillips was wider use of policy renewal provisions which give up the right to refuse renewal solely because of change in physical condition. An obvious alternative, he indicated, would be the adoption of non-cancellable in-

surance, but past experience has indicated that many dangers are involved in the issuance of such policies.

"The best answer might be for the company to give up the right to refuse renewal solely because of a change in physical condition," Mr. Phillips continued. "This would give the policyholder assurance that the policy will not be cancelled because his health has deteriorated. It eaves the company free to refuse renewal or to renew with modified premiums or conditions, for such reasons as moral hazard, over-insurance or a change to an uninsurable occupation. Under this type of provision, the company also retains the right to change the scale of premium rates of all such policies or those in certain classes, if the experience should prove unprofitable."

The detailed experience of the New York Life in its two and one-half year since first starting to write A&H insurance was reviewed by Mr. Phillips as a guide to other life companies entering the field. Since 1950, nine companies with a billion or more of ordinary life insurance in force have entered prior to 1950. Today, 18 of about 42 companies in this category now write A&H and "there is reason to believe that the trend of life companies entering this field will continue."

### Milwaukee Board Reelects Pittelkow

Milwaukee Board of Underwriters at its annual meeting reelected Robert C. Pittelkow president. Also reelected

## Steps to Reduce Small WC Risk Cost

New methods to meet the high cost of small business workmen's compensation insurance are being devised, W. C. McCormick, assistant secretary of small business workmen's compensation of International Assn. of Industrial Accident Boards & Commissions at Quebec.

The issuance of a simplified insurance contract is one step toward lowering costs, he said, and others are the revision of the WC policy form, use of 3-year policies, and simplified rules, rating procedures and statistical methods.

The importance of small risks and the seriousness of the problem they present had been made clear by a survey which shows that WC risks with a premium of less than \$500 represent 90% of all policies but only 24% of total premiums. Small risks have not paid their way, Mr. McCormick pointed out, and the accident frequency rate of firms with fewer than 100 workers is more than twice that of larger businesses.

The problems involved in handling small risks were summarized as:

A generally greater loss experience. A greater expense factor than is provided for by the premium.

Inability to handle small risks within the same rule and rate structures applicable to large risks.

Forms and regulatory procedures which add considerably to the expense and complications in handling these risks.

### Pa. Lumbermen's Is Increasing Dividends

A 15% dividend on auto physical damage will be paid this year by Pennsylvania Lumbermen's Mutual. In 1953 this coverage paid no dividend.

In the general fire and allied field dividends have been increased from 15% to 20% on dwellings, apartments, household and personal property. An increase from 10% to 15% will be paid on general lines of use and occupancy, rents and profit coverage and all other coverages written on fire policies.

On similar policies applying to lumber and woodworking risks in eight states and the District of Columbia, dividends were increased from 10% to 20%.

The dividends are payable in Pennsylvania, New York, New Jersey, Delaware, Maryland, Virginia, North and South Carolina on all policies with expiration dates after Dec. 31.

### Southern Cal. Marine Men Hear John Maloney

Commissioner John R. Maloney of California outlined the functions of the California insurance department at a meeting of Marine Underwriters of Southern California. He traced the history of the department since its beginning in 1868, when there were eight domestic fire and marine, two life and a proportionate number of out-of-state companies, until today, when there are about 700 insurers operating in the state.

The 25th anniversary of Insurance Accountants Assn. of San Francisco was commemorated at a luncheon, with President J. L. Morrison in charge.

Urban Krier, assistant manager at Milwaukee of U.S. & G., talked on the extended medical payment endorsement before the monthly meeting of Insurance Women of Racine.

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Richard C. Burdick, program chairman for the annual meeting of Milwaukee Board of Underwriters, shown with John R. Fishwick, executive secretary of the board.

for another term were Gustav E. Schwarm, vice-president, and Fred Kasten, secretary-treasurer. John R. Fishwick continues as executive secretary.

The principal speaker was Clarence H. Metzner, assistant manager of Western Underwriters Assn.

### NAIA Calendar

National Assn. of Insurance Agents will hold its 1955 convention Oct. 3-6, in Los Angeles, at the Statler and Biltmore hotels. The schedule for 1956 is New York City, Sept. 17-20; for 1957, Chicago, Sept. 9-12; 1958, New Orleans, Oct. 5-9; and 1959, Chicago.

Wendell L. Drake has been appointed sales manager of the Boyd & Boyd agency of Chicago, A&H representative of Continental Casualty. Mr. Drake has been midwest branch office supervisor for Continental, joining the company in 1948.

Citizens Fund Mutual Fire of Red Wing, Minn., has been licensed in Texas.

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October 21, 1954

## THE NATIONAL UNDERWRITER

11

## NAMIA Program Features Play, Films, Symposium

National Assn. of Mutual Insurance Agents convention, Oct. 25-27 in New York City, will have a home-grown play, two films, four speakers and a symposium as its main features. Registration already exceeds 700, according to Vice-president Earl Lamb, Heffner agency, New York City.

A meeting of General Agents Assn. will start off the convention on Monday morning, and Dean Charles C. Noble of Syracuse university will speak at the luncheon. Dean Noble is senior chaplain of the university, and his theme will be, "You Don't Have to Go Crazy."

At the Monday afternoon session Stanley N. Barnes, assistant attorney general and head of the anti-trust division of the department of justice, will speak on "Freedom of Action Under the Anti-Trust Law." In view of the joint interest of the association and the department of justice in anti-monopoly action, his speech will be carefully studied.

A business meeting at which committee reports will be presented, directors elected and awards made will terminate the session. There will be a hospitality hour from 5:15 to 6:15.

The business meeting will be continued Tuesday morning, after which W. H. Rodda, secretary, Transportation Insurance Rating Bureau, Chicago, will speak on "What Recent Developments in Inland Marine Mean to the Alert Agent."

Following Mr. Rodda, "It's Everybody's Business", a film developed by U.S. Chamber of Commerce and DuPont, will be shown. The film describes the functioning of American

business and the stake that all Americans have in its success.

The afternoon session will feature a symposium on agency problems led by M. L. Landis, general counsel of Central Mutual of Van Wert, Russell Davis, vice-president of Lumbermens of Ohio, and Bruce S. Stake, fire manager of Thompson, Kincade, Hill & Powers, St. Louis, will speak.

"Too Young to Burn", a fire safety film produced for Federation of Mutual Fire Ins. Cos., will head the Wednesday morning session. Next will be

the play, "Dramatized Selling". The cast includes William E. Billings, Billings Mutual agency, Niagara Falls; Benjamin G. Sager, Central Mutual agency, Cleveland; Maurice Cable, New Orleans; J. F. Montgomery, J. F. Montgomery agency, Jackson, Miss.; J. D. Gurley, Birmingham; Leroy Dickson, Dickson agency, Orlando, Fla.; W. D. Roddy Jr., local agent of Warren, Ark.; Bruce S. Stake, Thompson, Kincade, Hill & Powers, St. Louis; Roy R. Allsopp, Waynesboro, Pa.; Hugh H. Murray Jr., Associated Insurers, Raleigh.

Roderick L. Geer, executive secretary of the New York association, and William A. Stringfellow, executive secretary of the North Carolina association, will star as off-stage voices.

"Showmanship in Selling", a talk by Zenn Kaufman, will polish off the session. Mr. Kaufman was formerly merchandising director of Philip Morris Sales Co. and has written several books on showmanship in sales.

A banquet Wednesday evening at which the grand prize will be awarded will mark the end of the convention.

## North American Has New SHO Policy Form

North America has introduced a new all physical loss homeowners policy identified as form "C". The new form follows the same pattern as forms "A" and "B", but is designed for the homeowner who wants more than named peril protection. Rates for most classes have been reduced and rules simplified and modernized for the new form as well as on the "A" and "B" homeowners policies.

### John Dean Sets Record

John Eldon Dean of Berea, Ky., set a personal record recently in selling comprehensive personal liability coverage to A. Pruitt Smith. While riding in Mr. Smith's car he saw a set of golf clubs in the back seat. Aware of the perils implicit in golf, he described these vividly and clinched the sale by listing the disastrous consequences of dogbites.

John Eldon Dean is six years old and has joined the Knapp Hall Training School in Berea. His parents, Ralph and Jeanette C. Dean, operate the Dean agency in Berea and represent Hartford Fire and Hartford Accident there.

### Cowlitz County Agents Elect

William A. Edmund of Longview, Wash., was elected president of the Cowlitz County Assn. of Insurance Agents at its annual meeting. He succeeds Don Grant, also of Longview. Abe J. Martin, Woodland, was elected vice-president and L. H. McFadgen, Longview, secretary-treasurer.

Claude B. Wolf, Jr., has been named office manager of Bates & Co. general agency at Columbus, O. Mr. Wolf has had experience as a special agent and as an underwriter for a local company.

This America Fore advertisement is designed to help insureds eliminate unnecessary anxiety and confusion when loss occurs.

Now appearing in leading magazines, it is part of America Fore's current campaign to create wider and better understanding of the important role played by agents and insurance companies in daily living.

Too Late?



Too Late?



Are you waiting until  
Too Late?

If you become involved in an accident or if your property is damaged or destroyed—you will be confronted with many pressing, confusing problems all at once.

- Now is the time to prepare to meet a possible loss:
- Go over all your policies with your local agent or broker to be sure you understand exactly what risks are covered by your policies.
- Make sure the limits of your insurance protection are adequate to meet today's values.
- Keep an inventory of your belongings and in a safe place with your fire insurance policy. This will help you in case of loss.
- Carry your auto insurance name and phone number at all times.

If you are traveling

with a company or

contacting an A.

Union by num-

Yes—a lit-

assure proper

case of loss.

You can now re-

annually. Ask

Now,

America Fore agents  
can arrange to budget  
their insureds' premiums in  
convenient  
monthly, quarterly,  
semi-annual or annual  
installments

For Peace of Mind insure with  
**America Fore**  
INSURANCE GROUP

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\* Niagara Fire Insurance Company  
\* Fidelity-Phenix Fire Insurance Company  
\* The Fidelity and Casualty Company of New York  
\* American Eagle Fire Insurance Company



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## Public Official Bonds OCTOBER

is the month for agents to do the spade work in building public official bond business. Once written, many public official bonds may remain on your books, undisturbed for years.

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Casualty Company**

New York

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NO DIRECT BUSINESS

pects of small business. The subjects were: Fidelity, forgery, surety bonds and burglary insurance; workmen's compensation, A&H; general liability and automobile; boiler-machinery, glass, and credit.

**Agents Win Nominations  
For Wash. Legislature**

Numerous insurance men are participating in the program of the National Safety Council's congress and exposition in Chicago Oct. 18-22. Insurance personnel on the program include:

Robert Clair, assistant vice-president of Liberty Mutual; Russell Heaxton of the National Assn. of Mutual Insurance Cos.; Bud Davis, fire safety supervisor of Mill Mutuals, Columbus; W. E. Powell, Chicago loss prevention manager of Liberty Mutual; Mrs. Kathleen K. Devine, safety and occupational health bureau of Metropolitan Life; and J. C. Stennett, accident and fire prevention manager of National Assn. of Mutual Casualty Cos.

Other insurance persons on the program will be:

Gordon Lemke, William Berfield, Otto Holmskog, Robert Whiteside, and George Williams, all of Employers of Wausau; Herbert T. Walworth, industrial hygiene director of Lumbermen's Mutual Casualty; Richard O. Bennett, automotive director of the accident and fire prevention department of the National Assn. of Automotive Mutual Insurance Cos.; A. E. Spottke, vice-president of Allstate; Clyde Schleuter, accident prevention manager of Employers of Wausau; E. C. McFadden, vice-president of Texas Employers, and Charles Rowley, chief inspector of American Manufacturers Mutual.

### Handbook of Insurance for Small Businesses

WASHINGTON—"The matter of proper insurance coverage is of great importance," says the small business administration in its *Handbook of Small Business Finance*. "Small manufacturers are subject to many kinds of business losses."

Among them the handbook lists death of owner, partner or principal stockholder; cessation of operations due to fire, explosion or other disaster; losses from theft, embezzlement, etc.; public liability not covered by workers' compensation.

"While the beginner is less able to insure fully against loss than the established firm," the handbook comments, "there is little excuse for neglecting to establish and maintain adequate insurance protection against basic risks. See your insurance broker, agent, or company representative."

Some time ago the small business administration published four management aids covering insurance as-

### Michigan CPCU Plans Detroit Meet Nov. 16

Michigan CPCU chapter is completing plans for an all-industry conference to be held Nov. 16 in Detroit.

Maurice J. Pierce will preside at a morning session on "Multiple Peril Protection." Commissioner Navarre will confer seven CPCU designations at a luncheon at which Donald D. Lindow, chapter president, will preside. L. J. Carey, general counsel of Michigan Mutual Liability, will talk. Frank Gossinger will preside at the afternoon session, presenting the Insurance Buyers Assn. of Detroit.

### Wisconsin NACCAs Elect

MILWAUKEE—Jesse J. Habush has been elected president of Wisconsin Assn. of Claimants Compensation Attorneys. Others elected are Lawrence D. Gillick, vice-president; Nathan Heller, secretary, and Vaughn Conway, treasurer.

### More Filings Approved

Delaware, Georgia and Pennsylvania have approved filings of the comprehensive dwelling policy recommended by Interbureau Insurance Advisory Group, effective Oct. 13.

The policy has been approved by Connecticut, Illinois, Indiana, Kentucky, Louisiana, Maine, Maryland, Michigan, Nebraska, New York, Oklahoma, Rhode Island, South Carolina, Tennessee and Vermont.

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## Court Allows Reformation Because Agent Did Not Carry Out Intent of Parties

Virginia supreme court of appeals upheld the reformation of a fire policy on the grounds of a mutual mistake, in Bankers Fire vs Henderson and others, 8 CCH, fire and casualty, 451. Vivian L. Page represented the insurer, and Albert S. Lewis and Sidney Sacks the insured.

The conclusion of the higher court was that the local agent who wrote the policies for Henderson did not conform them to the intent of the parties—there was an innocent omission of a material stipulation.

John H. Henderson and Thomas E. Welch operated Standard Cleaners in Norfolk. W. T. Mason, the local agent, for more than 20 years had written insurance on the premises involved. He had visited and was familiar with the premises.

For about 10 years preceding the writing of the particular policy in this case, Mason had given his attention to other matters and left the conduct of the agency, including the writing of policies, to his nephew, Archibald Reyes. However, the policies still were countersigned by Mr. Mason.

There were two units on the property, a two-story brick building and a cinder-block extension in the rear. Immediately to the rear of the cinder-block extension, and separated therefrom by a six-foot private alley, was a one-story galvanized iron building. The concrete floor in the cinder-block addition extended across the lane and under the metal building. Steam necessary to the operation of the plant was generated in the metal building and carried by pipes across the way into the main building. The steam irons, washers and pressing machines were located in the metal building.

On Oct. 9, 1952 the metal building and its contents were destroyed by fire. At that point Bankers Fire had a policy for \$2,000 on the two-story brick building, another for \$5,000 on the contents of the buildings at the address, and a \$12,500 policy on the contents of the first floor of the two-story brick building.

### Harleysville Seminar on Teaching Nov. 4

Harleysville Mutual will again hold a seminar at its home office Nov. 4 on teaching problems. The response to a similar seminar last year was such that the company judged a repeat performance in order.

The discussion will center around three questions: What does the industry look for and expect of a high school graduate? What do teachers expect industry to offer high school graduates? What do parents expect teachers and industry to offer their children?

### Indiana Managers Elect

INDIANAPOLIS—Norman E. Hopkins, manager Home Indemnity, has been elected president of the Indiana Casualty & Surety Managers Assn. for the 1954-55 term. Marvin Simpson, manager London & Lancashire Indemnity, is the newly-elected vice-president; and Mark S. Allison, manager American Surety, will serve as secretary-treasurer.

### To Hear Braddock on Coast

Robert L. Braddock, executive vice-president of General Reinsurance, will speak at the All Industry luncheon of Pacific CPCU Nov. 3 at Los Angeles. His subject will be "Current Developments in Casualty Reinsurance."

was not broad enough to cover the building and its contents with the two policies. Bankers Fire argued that the galvanized iron building was a separate building, requiring a higher rate, and that neither it nor its contents were intended to be included in the two policies.

The court pointed out that the galvanized iron building was on the lot when insured acquired it and had always been a unit in their plant. It was indicated that the \$2,000 policy was a renewal of policies which had previously been written on that building

from time to time. Messrs. Mason and Reyes indicated they had been on the property many times and Mr. Reyes testified he knew the metal building was there and a part of the plant. One point was that the \$12,500 policy was never in the hands of insured. As soon as it was written, it was mailed by the agent to American Security & Trust Co. of Washington, to whom the loss was made payable. Insured were never advised of the description of the property listed in the policy.

In holding that insured were entitled

(CONTINUED ON PAGE 36)

Making Friends . . . with the  Fieldmen

## HOW THEY ANSWER PROBLEMS LIKE YOURS IN THE KEYSTONE STATE

One thing that has been proved to us time and time again is that agents—everywhere—have pretty much the same problems.

They may vary a bit in detail, but most of them are based on the same unknowns.

Chances are you've run into the same obstacle faced by Mr. Clair Jackson, Partner of the Gelvin, Jackson, and Starr Agency in Meadville, Pennsylvania. Mr. Jackson writes:

"Reliable information is one of our most valuable assets—and the lack of it can be a whopping problem. This might take the form of information about prospects in our area, about technicalities in some types of insurance, or it may manifest itself in any number of ways. However it shows up, we call in 'Herm' Lewis, our Fire Association-Reliance Fieldman. He knows his business thoroughly, and that helps us to know ours and turn problems into profits."



Herman Lewis

Clair Jackson



Joseph Barr, Jr.

Another situation which should ring a familiar bell is that of holding odd-hour conferences with important clients, and finding it necessary to make on-the-spot decisions. Mr. Joseph Barr, Jr., President of Joseph W. Barr, Inc., Oil City, Pennsylvania, has this to say about it:

"We've worked with 'Herm' for a long time, and one of the real pleasures of the association has been his willingness to meet with us and our clients whenever it was requested. His authority to make on-the-spot decisions, and his extensive knowledge of all phases of insurance have more than once helped us over some pretty high hurdles." Whatever your problems are, your Fire Association-Reliance Fieldman has been trained to answer them. He knows your market. He knows insurance. Equally important, he's been trained by companies which will never grow too large for family feeling, nor lose their high regard for personal relationships.

Why not contact him soon?

  
**Fire Association —**  
**Reliance**

INSURANCE COMPANIES OF PHILADELPHIA

Property and Casualty Insurance

## Sask. Insurer Case in Montana to Be Tried This Fall

HELENA—District Judge V. H. Fall has denied the demurrers of Commissioner Holmes of Montana and Saskatchewan Guarantee & Fidelity in which it was argued that Gardner C. Waite, Bozeman agent, had brought suit to seek revocation of the Montana license of Saskatchewan G. & F.

Holmes contended that Mr. Waite has not shown damages and is seeking the wrong type of release in his action, and said only the state is eligible to revoke the license. Holmes and the insurer will have 20 days to file their answer, and after it is filed, district court will set a date for trial later this year.

This is the action in which Mr. Waite is acting in behalf of Montana agents to have Saskatchewan G. & F., an insurer owned by the province of Saskatchewan, denied a license in Montana on the grounds the company is unfair competition and does not have the right to operate in the U. S.

because it is owned by a foreign power. National Assn. of Insurance Agents at its Chicago convention adopted a resolution condemning the entrance of such government owned companies into the U. S., so that the outcome of this litigation will be of national interest. Saskatchewan G. & F. has filed for a license in North Dakota and action on that is still pending.

### White Joins Elgin Agency

W. J. White has resigned as manager at Elgin, Ill., for Western Adjustment to become a partner with Hazel L. Jones in the J. H. Jones agency there. Mr. White has been with Western since 1946.

### Los Angeles Engineers Meet

Robert S. Moulton, technical secretary of National Fire Protection Assn. and national secretary of Society of Fire Protection Engineers, and Charles S. Morgan, assistant general manager of NFPA, were speakers at a meeting of the Los Angeles chapter of the society.

Plans to stimulate fire prevention courses in local colleges were discussed at the business session, with President R. Lawrence Ellis in charge.

## Financial Indemnity Seeks to Halt California Action

LOS ANGELES—District court of appeals here after a special hearing has taken under submission the motion of Commissioner Maloney of California to vacate or modify an order to superior court on the matter of a writ of mandate sought by Financial Indemnity of Los Angeles to prevent superior court from further action in the pending litigation over the affairs of the company. New affidavits supporting the contentions of both sides were filed with the court and made a part of the record. Argument on behalf of the commissioner was to the effect that the appellate court could take no action under a separate action by the commissioner under the insurance code. Financial Indemnity held that Mr. Maloney is without power to act, that his stand is unconstitutional, and that there is no question of the financial condition of the company involved.

In filing the motion, the commissioner attached his affidavit in which he says he and company representatives are negotiating to see if conditions may be remedied voluntarily by the company. He said he had not filed an application under section 1011 for a conservation order, nor has he made any summary seizure of the company under section 1013 of the insurance code. He also stated: "If negotiations are successful with resulting removal of the conditions . . . it may eliminate the necessity for an application for a conservation order, in which event no application would be filed."

The order of the appellate court, which apparently directs the superior court not to issue an order of conservation, constitutes a dangerous precedent, Mr. Maloney said.

This litigation started Sept. 14, when Financial Indemnity and its president, G. Kenneth Vaughn filed a petition for restraining order in superior court to prevent Mr. Maloney from any attempt to take over the company. At the time the petition was filed, the commissioner had sought to file a petition for the conservation order, but the judge did not accept the department filing because of the company petition. Later the court denied the plea for the restraining order, and almost immediately Financial Indemnity filed for its writ to compel the superior court to act. Oct. 28 has been set as the date when superior court is to show cause why a permanent writ not be issued.

In its application for the restraining order, the company sets forth that the commissioner claims its certificate of authority was obtained by false and fraudulent representations as to the true incorporators; that an audit of the company's by Joseph Froggatt & Co. as of June 30 shows the company to be solvent and to have a surplus to policyholders of \$364,624; sets forth four proposals regarding disposal of its stock, one of which was accepted by the commissioner; an offer made to surrender the certificate authority and liquidate voluntarily; that a new board of directors has been elected, consisting of Joseph Froggatt, Jr., and two other members of Froggatt & Co.; cites seven reasons why any action by the commissioner would cause irreparable damage to the company and to Mr. Vaughn; says the financial condi-

tion of the company is exceedingly strong, and earnings and surplus are increasing substantially, and also shows that an irrevocable voting proxy for control of the stock has been given to attorney John S. Bolton of Los Angeles.

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October 21, 1954

**The NATIONAL UNDERWRITER**

15

## Carson Sees Self Service Customer as Future Service Buyer

Speaking at the annual banquet of Rhode Island Assn. of Insurance Agents in Providence, Ellis H. Carson, president of National Surety and vice-president of Fireman's Fund, pointed out that the new customers who can afford to buy insurance for the first time may start with self service and accept the offers of direct writers, but as these customers progress they will ask for quality and return to the agent who can offer them service.

Mr. Carson established the appeal of self service by citing the extraordinary growth of tourist class air travel on a help-yourself basis as compared with the luxury travel that air lines first offered, and amplified his point by describing the expansion of "do-it-yourself" techniques in home furnishings, home maintenance and similar fields. These are distinctly American, and are symptoms of an expanded economy and an increased standard of living.

"Just as the 19th century was the age of the industrial revolution," Mr. Carson said, "the 20th century is witnessing a social revolution. The present is frequently referred to as 'the century of the common man.' A redistribution of wealth is taking place on such a scale that when we think of the masses, as political agitators used to refer to broad sections of our population, the connotation of this word has changed entirely—and most happily so. The mass market and how to tap it is now a main preoccupation of leaders in all industries—including very definitely our own."

"Firstly, our population has increased more than 30% over the past 25 years. This means that nearly 40 million new consumers have been added. The rate of increase is accelerating. In excess of 20 million have been added

### \$150,000 Suit Entered Against Wis. Insurer

A \$150,000 breach of contract suit naming Farmer's Mutual Automobile and Farmers Mutual Manager's, Inc., both at Madison, Wis., as codefendants has been started in circuit court there by Jack O. Nelson, former manager for the automobile insurer in parts of Milwaukee and Waukesha counties. Farmers Manager's was named because Nelson says it controls decisions of the insurance company.

Nelson charges that in December, 1953, the insurance company ended its contract with him without reason. The agreement was that he build up the business in the area at his own expense, ultimately gaining control of it.

Nelson said under his direction the business grew from \$6,500 in 1938, when the agreement began, to \$477,528 in 1953. In 1938 he had six agents; he had 65 when the contract ended.

### New Stock Association Organized in Florida

Casualty & Surety Assn. of Florida, with membership limited to stock companies, has been organized with headquarters in Jacksonville. The association is statewide and expects its membership to expand accordingly.

At its first meeting the association adopted a constitution and elected the following officers, all of Jacksonville: President, S. F. Scattergood, manager of Fidelity & Casualty; vice-presidents, E. J. Gallagher, manager of Travelers, and Martin C. Shatzer, manager of U. S. F. & G.; and secretary, William M. Poz, manager of National Surety.

to our population in the last eight years.

"Secondly, personal income is having a startling growth and this is spreading across the population. Today there are 27½ million families having incomes of \$3,000 or over compared to only 2½ million in 1940. These figures are quoted from the current advertising of Institute of Life Insurance, which is being broadcast under the significant caption, 'In Change There Is Opportunity.'

Nonetheless, he said, "many of those buying insurance for the first time are not buying it through agency chan-

nels, as you and I know it ought to be purchased if our industry is to have the best opportunity of demonstrating its ability to give real service to policyholders. But just as a young lady may be satisfied at the beginning with the results of a home permanent, it is likely that she will change her mind completely when she has a really expert job done in a beauty parlor. The American public can be counted on to respond to repeated demonstrations by insurance agents and brokers of sustained personal interest and effectiveness in fulfilling their exacting requirements and expectations."

Comparing the property and liability field with life insurance, Mr. Carson noted the tremendous growth of life companies in the past 15 years. He said that his employees who benefitted from term life were advised to see an agent to supplement their group policy with individual coverage according to their needs. Similarly, group contracts have siphoned off hundreds of thousands of wage earners who might have been buyers of individual automobile insurance policies. This is also due to compulsory insurance laws and financing requirements.

(CONTINUED ON PAGE 35)

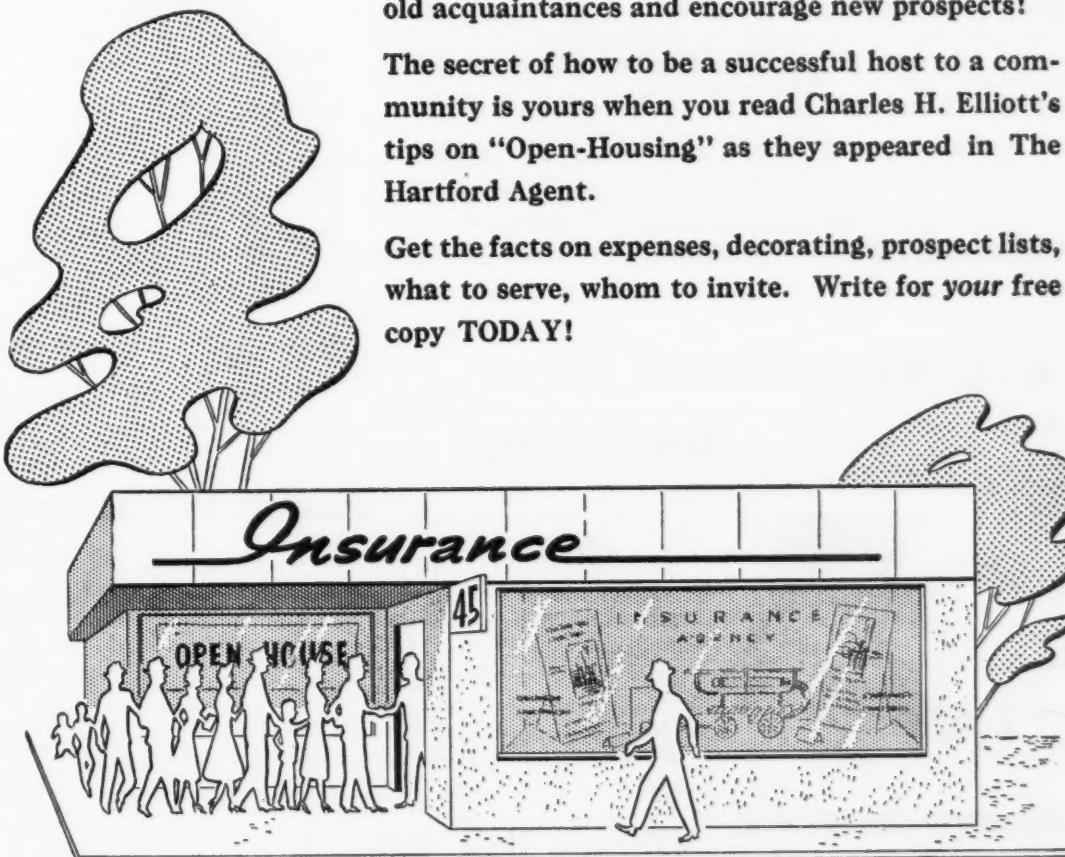
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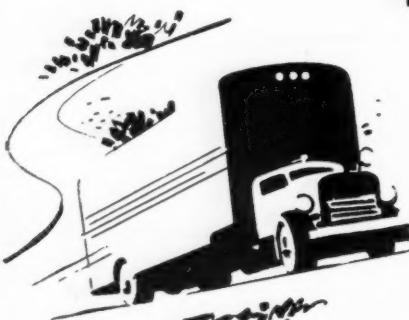
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William E. Lersch, Vice-President



## Card Set for Maryland Agents Annual, Nov. 3-4

The main features of the program for Maryland Assn. of Insurance Agents annual convention in Baltimore Nov. 3-4 have been completed. The convention opens with a luncheon Wednesday.

In addition to the annual business meeting and election of officers that afternoon, features include F. W. Westervelt, public relations director of General Adjustment Bureau, discussing loss adjustments, Commissioner Jackson of Maryland, the agent and the insurance department, and E. Rhea Hurd Jr. superintendent of American-Associated sales promotion division, a new approach to meeting competition.

### To Sell Truck Co.

### Settle Insurer Claims

Chancery court at Nashville has approved the sale of Tennessee Motor Lines for \$185,000, which will assure the collection of claims of London Lloyds for \$29,000 and other claims of Nashville local agencies totaling more than \$40,000 against Jesse Wilson, owner, who is in jail unable to make bond on charges of setting fire to the motor company's terminal, and grand larceny of merchandise from his own warehouse. All existing coverage on the property has been cancelled.

### Building at New High

This year's total contracts for future construction in 37 states have reached a new high, according to Dodge Reports. The nine months total is \$14,477,181,000, 13% ahead of the first nine months of 1953, the previous high. September contracts totalled \$1,816,232,000.

### American Surety to Build

American Surety has awarded the building contract for new offices in East Orange, N. J. The building will have two stories and basement of brick, concrete and steel construction, air conditioned and with parking space for visitors and employees. It will serve as headquarters for operations in northern New Jersey.

### Honor Wash. CPCU Recipients

Dr. Solomon S. Heubner of Philadelphia, chairman of American Institute, will be speaker at a luncheon Nov. 2 in honor of Washington state CPCU recipients. King County Insurance Assn. is sponsoring the event.

## Ill. Mutual Agents' Annual Card Ready

The program has been completed for the fall convention of Illinois Assn. of Mutual Insurance Agents Nov. 4-5 at La Salle, Ill.

The card includes: Phillip L. Baldwin, executive secretary of the National association; Robert McKinzie, manager bond department Auto-Owners; William H. Rodda, secretary Transportation Insurance Rating Bureau; William F. Starck, assistant vice-president Badger Mutual; Dr. Richard C. Steinmetz, chief special agent Mutual Investigation Bureau, and Harry E. Huddleson, vice-president Mill Owners Mutual.

Presented for election at the meeting as the choice of the nominating committee for directors for a three-year period are: Pete Ravenstein, Mount Carmel; Orville L. Varland, Rockford; George R. Dressler, Chicago; Ira C. Johnson, Aurora, and Walter L. Dailey, East St. Louis. Independent nominations must be filed with the secretary.

### Lapeer Case Not Ended

LANSING—Hope that all litigation arising out of the failure, back in the mid-thirties, of the Lapeer Farmers Mutual Fire would be ended by the recent discharge of the trustee, has been dashed again.

This time some of the stubborn former members who resisted assessments over the years until a few lost their farms for failure to pay small liens have petitioned the governor to remove the Lapeer county sheriff. Sheriff Clark W. Gregory directed some eviction proceedings in cases where farms had been sold on the basis of the liens.

The petition, charging the sheriff with improper actions in connection with the evictions, was turned over to the attorney general's department for investigation by Gov. G. Mennen Williams. State officials, the legislature and the judiciary have been bombarded with petitions and other forms of protest from the recalcitrants over the years. The latest petition is signed by Mrs. Orvetta Abbott and 27 other persons, among them the Ziegenhardt brothers who transformed their farm into an actual fortress and openly defied the authorities to evict them after the court ordered sale of their property.

### London Aids Sears Expansion

Frank E. Durrant, director of Price, Forbes (Reinsurance) Ltd., is in Boston on a 3-week assignment to assist in the expanded insurance facilities of Thomas E. Sears, Inc. R. F. A. Riesco, vice-chairman, and A. W. Emery, director in charge of the loss division of Price, Forbes, are also visiting Sears, and early this month Cyril J. Stephens, manager of the marine department, and W. E. Parton, casualty insurance specialist, will visit Sears and its clients.

### MacDermott Joins Wellborn

HATTIESBURG, MISS.—J. L. MacDermott has joined the H. B. Wellborn & Co. adjusting organization here, in charge of bodily injury and property damage liability and workmen's compensation claims. He has been with Hartford Accident for 10 years, starting in New York and later serving in Newark before going to the southern Mississippi claims department of that company in 1951. Mr. MacDermott attended Rutgers University.

Horace Mann group of Springfield held an open house at its new home office in conjunction with the directors' meeting of Horace Mann Mutual Casualty and Horace Mann Life.

### Change N.J. Compensation Manual

A revision of the manual of rates promulgated by Compensation Rating & Inspection Bureau of New Jersey is under consideration on the basis of the recently filed mid-year loss ratio report. Policies effective January 1, 1955 and thereafter should no longer be written until the revised rates are ready. It is expected that the manual will be ready in ample time to write policies effective on that date.

# Fire and Casualty Insurance

## COMMENTS - TRENDS - OBSERVATIONS

### Kemper Survey Shows Much of Auto Volume Can Be Recaptured by Agents

NEW YORK—The results of the Kemper companies' nation-wide survey of automobile insured, on which the group based the advertising campaign which it has just launched in an effort to enable its agents to recapture some of the automobile business lost to direct writers, contain a number of interesting points. The results of the survey and the details of the advertising program have been the subject of discussion with Kemper agents at a series of 54 meetings over the country in recent weeks.

At a press conference here, N. C. Flanagan and Robert P. Palmer of the head office and Victor T. Ehre of the New York office outlined the results of the survey and the advertising program.

Two of the big points developed by the survey were that most of those insured in direct writing companies decided to do so because of price; and a considerable percentage of insured now with direct writers would change to a local agent who provided service and represented a good company, if doing so did not cost them more than \$10 more than they are presently paying.

The Kemper group made the survey because of the tremendous growth in the automobile field of direct writers and the implication that this might seriously jeopardize the agency system. Mr. Flanagan pointed out that some speakers in discussing this subject in recent years have predicted that the agency system would fade away and be limited in its clientele to the carriage trade. Others have insisted that the agency system was still the most efficient method of distributing insurance, despite the rapid growth of non-agency insurers with extremely low expense ratios.

Because there was a singular scarcity of facts in the tremendous amount of discussion that has gone on, and believing that what was called for was neither prophecies of gloom nor an inspirational wave of optimism, the group sought to make a realistic appraisal of the problem.

There is no question about the progress of non-agency companies. In the five years ended with 1953, all automobile insurance premiums increased approximately 60%. In the same five years Allstate had a 294% increase, Farm Bureau of Ohio 172%, State Farm Mutual Automobile 119% and Farmer's of Los Angeles 116%.

In addition, increasing numbers of agents are reporting the loss of business to these companies. Also, unquestionably if it were not for the activity of these insurers, thousands of new insured would have placed automobile insurance with agents.

The questions asked by the Kemper

organization were designed to get some facts on the key points in the situation. These questions were:

Why do automobile insurance buyers place their business with these companies?

Do such buyers who are insured through local agents feel that their agents are providing a valuable service to them?

Does the average insured after an accident prefer to have an agent helping him or would he just as soon deal with a company adjuster?

What proportion of automobile pol-

(CONTINUED ON PAGE 24)

### Reardon Opposes Parts of Democrat Platform in Mass. Campaign

Taking exception to parts of the 1954 platform of the Democratic party in Massachusetts, Harriman A. Reardon of Hudson, Mass., editor of *Lines for Brokers*, publication of Massachusetts Brokers' Assn., states in a news letter that the planks are misleading and unfair.

Termed as "a complete misrepresentation" is that portion of the platform which calls for the repudiation and repeal of the 60% surtax on drivers of motor vehicles under the age of 25. "This unfair and inequitable system," the platform reads, "of making the youth of the commonwealth pay an additional 60% premium on their compulsory auto insurance is not supported or substantiated by statistical data. Companies wanted an additional \$5 million, and they assessed it against the youth of this state. This plan has the blessings of Governor Herter."

Mr. Reardon replied: "When the age and use classification plan (under 25 drivers) went into effect Jan. 1, it did not mean an additional five cents, much less an additional \$5 million to the insurance companies. The over-all premium intake in 1954 was 9.4% more than in 1953, under the commissioner's compulsory rates. True, car owners with under-25 drivers had to pay more, but the total premium received by the companies would have been the same, with or without the age and use plan."

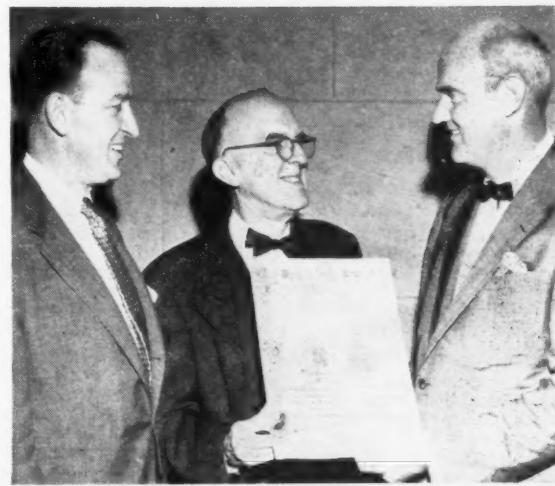
The platform also favors a compulsory sickness disability insurance with a state fund.

Mr. Reardon replies: "On the subject of state fund monopolies, such as that proposed for cash sickness insurance . . . it is common knowledge that the governor's concept of government is utterly opposed to such excursions into socialism and that he would never permit the state to invade the fields it was shown that private business was unable to provide superior services at lower cost."

Robert C. Dennett, center, engineering consultant of National Board, received a scroll signed by members of the staff at a dinner on the occasion of his 50th anniversary and his retirement. J. Victor Herd, president of the board, right, presented him the scroll while Lewis A. Vincent, general manager, looked on.

Only once before has a golden anniversary been achieved by a staff member of the National Board. This was Wilbur E. Mallalieu, general manager, who retired in 1950.

Mr. Dennett, who joined the National Board on October 1, 1904, soon after graduation from Cornell University, was a field engineer 15 years, office engineer 25 years, and assistant chief engineer 10 years.



### Rise of Kenneth Ross Reminiscent of Career of R. W. Forshay

The rise of Kenneth Ross of Arkansas City, Kan. to the vice-presidency of National Assn. of Insurance Agents has caused many remarks on how his association career so far parallels that of the late R. W. Forshay, Anita, Ia., who became president in 1941. Since during the past 35 years the second elected officer of NAIA—whether his title happened to be vice-president or executive committee chairman—has succeeded to the presidency routinely, no one feels rash in assuming that in 1955 the National association will again have a young, personable president from a small community, with a background of achievement in rural agency circles and leadership in the association of a predominantly agricultural state.

Actually, Mr. Ross is a few years older than Mr. Forshay was when he became president and Arkansas City, with an official population of 12,903, looms large by comparison with Anita, with 1,088 inhabitants. "Mickey" Forshay, who was 39 when he took the gavel at Kansas City, remains both the youngest president and the president from the smallest community in NAIA history. After serving as president of Iowa Assn. of Insurance Agents in 1936, Mr. Forshay became chairman of the first rural agents committee of the National association the following year. Thanks largely to his leadership, NAIA made a strong appeal to rural agents, which resulted in a series of membership increases. The activities of Mr. Forshay's committee brought membership to the National and to state associations from localities in which they were previously ignored

and incidentally provided them with political power which they did not have before. Mr. Forshay quickly moved to the executive committee in 1938 and was elected vice-president two years later.

As president, Mr. Forshay faced the serious problem of internal dissension and dissatisfaction over the setup of NAIA, one facet of which had culminated in the secession of Ohio Assn. of Insurance Agents in 1939. He worked

(CONTINUED ON PAGE 24)

### Mass. Politicians Fight Sex Rate Differential

Massachusetts Senator Rudsten and Representative Brickle have denounced the proposal for different compulsory automobile rates for men and women drivers. Sen. Rudsten predicted that the "battle of the sexes" was "deliberately encouraged by insurance companies who have employed a policy of divide and conquer for the last 20 years—attacking one group of drivers at a time."

"We've had rates assessed on age, now—sex. What next?" he said.

"The insurance companies have created so many classifications they have confused the public. They realize the opposition of the public as a whole would hurt them. Classifications will continue to grow unless we keep up a continuous demand that the companies open up their books. They're making fabulous profits."

He charged that insurers were responsible for Massachusetts' demerit system. "Now the average motorist is so frightened of demerits he'll do almost anything to avoid getting any. That defeats the whole purpose of insurance, but makes it pretty nice for the companies. They've got the driver coming and going."

## Plan IAC Fall Forum Nov. 15, in Hartford

Insurance Advertising Conference's fall forum Nov. 15 in Hartford will have as its theme how it can help agents sell their services. Beginning the session will be a panel on what results agents may expect from advertising and the first afternoon session will be a discussion of the necessity of bigger advertising budgets. IAC projects will be discussed at the closing meeting.

William H. Doty, conference vice-president and supervisor of the publicity department of Aetna group, is program chairman. The discussion topics were chosen from answers to a questionnaire he sent to conference members.

A reception will be held the evening before the meeting at the Statler hotel.

The conference has also announced its annual will be June 26-28 at Atlantic City.

## More State Farm Rate Cuts

State Farm has cut auto rates in California, Minnesota, Montana, Pennsylvania and the District of Columbia.

In California, private passenger collision rates have been cut from 5 to 34%, depending on the type of policy, throughout most of the state. Liability rates have been cut slightly, except in San Francisco, Vallejo, Los Angeles and parts of San Mateo county. Commercial car charges are limited to a 28% cut in \$50 deductible collision rates and 19% on \$100 deductible.

Minnesota private passenger car reductions range from 8 to 15% on comprehensive, and vary on collision insurance as follows: 80% coverage and \$25 deductible, 17%; \$50 deductible,

7%; \$100 deductible, 15%. On commercial vehicles, rates were cut 30% for comprehensive and from 7 to 17% on collision.

Collision rates were cut 10% in Montana, with liability cut 5% on passenger cars, except around Missoula. For commercial vehicles, liability reductions are 30% in Butte, 20% in rural areas, and 10% elsewhere in the state.

For Pennsylvania, private passenger car reductions go up to 17% on bodily injury and property damage liability and average 15½% on collision. Comprehensive rates are unchanged, except for a 27% reduction in the Philadelphia area.

In the District of Columbia, reductions are 4.2% on liability and an average 15.7% on collision for private cars. Collision rates for commercial vehicles were reduced from 24.2 to 39.9%. Comprehensive rates for private passenger cars have been increased 14.8%.

## Karl Palmer in RBH Post

Karl R. Palmer has been named an account executive for Rollins Burdick Hunter, Chicago. He has been general manager of Ririe Insurance agency and prior to that was casualty underwriter with Maryland Casualty, and an aviation underwriter for Aero.

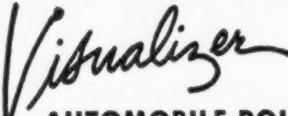
## Honor Mutual Officers in N.C.

Mutual fire insurance executives were guest of honor at a breakfast given by North Carolina Assn. of Mutual Insurance Agents before the annual meeting of North Carolina Fire Insurance Rating Bureau. This is the second annual get-together of the mutual company officials and representatives of the association.

American Fidelity of the New Hampshire group and Mid-Century of Los Angeles has been licensed in Ohio.

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## Eight Mutuals Form IM Pool in Boston

An inland marine pool, Mutual Inland Marine Underwriters of New England, has been organized by seven mutual fire companies in Boston. James D. Youd is manager of the new organization with offices at 89 Broad street.

Companies in the pool are Attleboro Mutual, Dorchester Mutual, Fitchburg Mutual, Lowell Mutual, Manufacturers & Merchants Mutual of Concord, N.H., Merchants & Farmers Mutual of Worcester, Mass., and Salem Mutual.

Mr. Youd had been with Automobile for eight years and was senior marine underwriter at Boston before joining the new group. He was a marine underwriter and state agent of the company in Michigan before going to Boston.

## Allstate Dwelling Filings Challenged by NYFIR

(CONTINUED FROM PAGE 1) insurance department, the New York Fire Insurance Rating Organization recently reviewed the filed rates for the dwelling classes generally. As a result of such review, it recently filed, effective Sept. 13, 1954, a modification downward of said dwelling class rates. These filings were with the consent and approval of the insurance department of this state. These filings produce a rate level which is reasonable, not excessive and which will yield only a reasonable underwriting profit as provided for by law.

"That the Allstate Insurance Company at or about the effective date of the filings above referred to, made filings with the department for similar dwelling classes which embraced a reduction in annual rates of approximately 35% and term rates of approximately 20%.

"Upon information and belief that said filings have been approved by the New York insurance department. That pursuant thereto the Allstate Insurance Company has extensively advertised in the newspapers of the State of New York, which advertisement carries the following paragraph:

"LOW COST . . . Allstate rates for fire and extended coverages are approximately 20% less than most other prominent companies."

"Upon information and belief, said filings of the Allstate Insurance Company were made without any experience by said company in the dwelling class field and without any experience in such field to support the filings.

"Upon information and belief the said filings of the Allstate Insurance Company provide rates which are inadequate, unreasonable, and unfairly discriminatory and in violation of Section 183 and 184 of the insurance law of this state and other related sections thereof.

"Upon information and belief that said filings were made for the purpose of giving said Allstate Insurance Company an undue and unlawful advantage over the fire insurance companies generally transacting a similar business in this state and in violation of their right to equal protection of the laws.

"Upon information and belief if this Rating Organization on behalf of its members and subscribers were to make a filing for the classes referred to on the same basis as the filing made by the Allstate Insurance Company such filing would provide for an underwriting loss and confiscatory rates in violation of the provisions of the rating laws of this state."

It was considered likely that the department would grant the requested hearing but not a postponement in the effective date of the Allstate rates. However, there were indications that Allstate will oppose the granting of the hearing.

## J. W. Stevens Joins American-Associated

J. W. Stevens has been named fire and marine manager at Los Angeles for American-Associated. After graduating from Stanford University in 1933, Mr. Stevens joined the Royal-Liverpool group, serving first in northern California and for the past 17 years in the southern California field where he has been state agent at Los Angeles.

Mr. Stevens is immediate past president of the Southern California Fire Underwriters Assn. and is the son of Jay W. Stevens, who has been assistant manager of the National Board at San Francisco for 30 years.

## George Houston Nat'l V-P

Houston National Ins. Co., fire and casualty running mate of Sam Houston Life, has been admitted in Texas. The capital stock company, writing fire and allied lines and casualty, with the exception of workmen's compensation, has named Melvin D. George executive vice-president and a board member.

Mr. George, formerly vice-president and manager of Universal Underwriters Ins. Co., Dallas, previously had been a Fireman's Fund Dallas manager and was later western department manager in Chicago. He is a World War II army veteran.

## Leominster Board Elects Mayo

Winthrop M. Mayo, Jr., has been elected president of Leominster (Mass.) Board. Other officers are William J. Whitton, vice-president, Hugh S. Padovano, secretary, and Nilo Tocci, Treasurer.

"Upon information and belief that Allstate Insurance Company did not establish the adequacy of the rates filed by it nor can the adequacy thereof be established.

"Upon information and belief that the action of the Allstate Insurance Company, as herein set forth, is in violation of Section 183, 184, and 186 of the insurance law of this state.

"Upon information and belief the said action of the Allstate Insurance Company is in violation of the constitutional rights of the members and subscribers of the New York Fire Insurance Rating Organization in that said filings provide for confiscatory rates and deprive the members and subscribers of this organization of equal protection of the laws.

"For the reasons above stated, and such additional grounds as may be presented, the New York Fire Insurance Rating Organization pursuant to Sections 184 (6), 186 (3) and 186 (b) requests that you grant this organization a hearing in connection with the subject matter herein referred to at a time and place to be fixed by you, and the New York Fire Insurance Rating Organization further requests that pending the final outcome of said hearing your department desist from approving or permitting to become effective the so-called filings made by the Allstate Insurance Company in the classes above referred to and generally described in this notice and request, or that you suspend or postpone the effective date thereof pursuant to Section 186 (b) of the insurance law of this state."

It was considered likely that the department would grant the requested hearing but not a postponement in the effective date of the Allstate rates. However, there were indications that Allstate will oppose the granting of the hearing.

## Underwriting of Package Policies Will Hinge on Theft Hazard, Jaffe Says

Package policies will be underwritten principally on the basis of the theft hazard, Alfred I. Jaffe, of the Jaffe agency, New York City, said in a speech before Brooklyn Insurance Brokers Assn. In measuring this risk the underwriter takes into account the reputation of the broker who brings him the business. If the broker has a record—not confined to loss ratio experience—of having clean insured presenting clean losses on clean business, then what he has to say about the character of the risk will carry weight with the underwriter. But if he has been careless in his clients, the underwriter will rely more on information from other sources.

Neighborhood exposures and habits and finances of insured influence the underwriting of theft hazards and other risks as well. With so many perils included in package policies at an almost imperceptible rate per peril, Mr. Jaffe said, it becomes impractical to inspect each risk and many policies must be written on the basis of general information.

Other speakers at the meeting were R. D. Knapp, manager of the New York City division of New York Fire Insurance Rating Org., John J. Freeman, Mr. Knapp's assistant, and W. A. Stetter Jr., Brooklyn manager of General Adjustment Bureau.

The underwriting attitude toward package policies, according to Mr. Jaffe, should not differ from that toward individual policies. Some underwriters policies have said that examination of package policies should be stricter due to a lower premium, but this is due

primarily to lowered cost in handling and the risk rate is about the same. In addition, the underwriter presumably gets a better class of insured, those who own their own homes.

The usual underwriting attitude toward owner-occupied one and two family dwellings, Mr. Jaffe said, is about as liberal as for any other class. There is resistance to individual lines

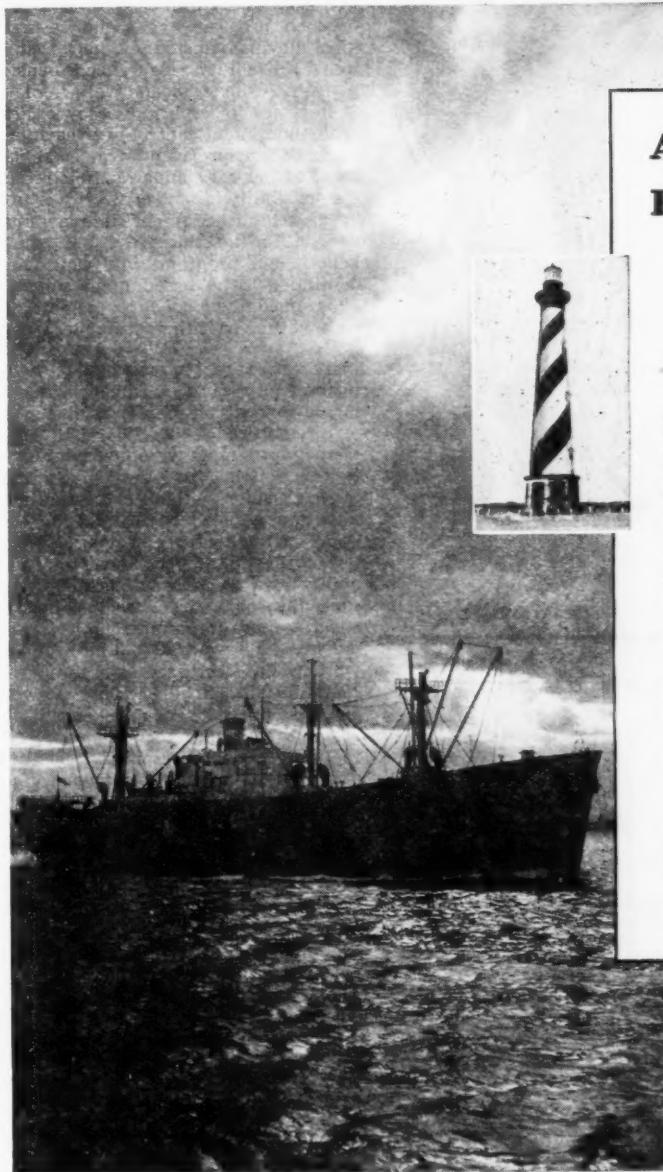
where the fire or theft hazard is great, but these are few compared to the mass of acceptable risks.

Underwriters still seem to be willing to handle wind coverage for dwellings despite unfavorable results, but some are skittish about shore-front property. Their theory is that along with covered windstorm damage there will be a considerable amount of water damage loss, and since it is usually impossible to determine what damage was caused by which element, the company winds up paying more than

the rate contemplates. This is always a source of sorrow for underwriters.

No sleep is lost over other E. C. Perils, Mr. Jaffe remarked. The only A.E.C. risk that makes underwriters hesitate is water damage. When this was first written as straight water damage every house was inspected before being accepted. Such inspection is now economically unsound. In addition to the cost of inspection, he pointed out, some underwriters sensitive to public opinion do not think it good

(CONTINUED ON PAGE 27)



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## Integrate WC with Other Employe Benefits

An examination of the workmen's compensation program as a whole with a view toward integrating it with other programs in behalf of employees was recommended by William Zucker, director of studies of Commerce & Industry Assn. of New York in a panel discussion at the annual convention of International Assn. of Industrial Accident Boards & Commissions meeting in Quebec.

Adequacy of workmen's compensation must be considered in the light of such programs as social security, unemployment insurance, non-occupational disability insurance, pension plans, A&H benefits, and welfare plans. This is not to imply advocacy of federal government control over each employe benefit program or the establishment of federal standards, he stressed. Responsibility for and control over programs established under state law must remain in the states. In WC, sound benefits and programs will result when continued to be based upon actuarial experience developed by private insurance underwriting principles.

It is a rare person who, through insurance or savings, can increase the net income of his family in the event of premature death. WC and social security programs were never intended to function in this way. To continue in this fashion without correction may impose a grave burden upon the economy of the country, he warned.

Analysis of the permanent total disability awards in New York indicates that the older age groups become steadily more important, while the incidence of awards to the younger workers has decreased over the period 1945 to 1951. In 1945 those between 50 and 79 years of age constituted 55.9% of the permanent total awards, in 1951 they represented 74.4%. It appears that through WC, this group is matriculating early for social security benefits.

Before the recent change in the social security law, a person who ceased work before reaching age 65 because of a permanent disability had his benefits reduced. The amended law freezes the OASI benefits of a worker who is permanently disabled.

If adequacy of WC is to be considered in terms of social welfare programs based on need instead of the principles of an insured program it would be best to transfer the responsibility for WC to those who administer public assistance.

It is essential that there be agreement as to what earnings are being replaced by WC. It is not supposed to replace lost earning capacity. When the administrators determine a man's earning capacity, then become economic and social diviners and make decisions based on subjective considerations. The eventual result is the destruction of the insurance principle. The adequacy of WC also cannot be measured against a proposed new standard of time loss, a whimsical figure created in the inner recesses of a statistician's mind, he said. Use of the time loss concept results in the finding of such arbitrary manpower losses that it would appear the American worker spends more time disabled than he does at work. Are those concepts a part of a campaign to discredit state administration of WC and replace it by tort litigation or by a federal system?

The WC system is hampering the full

utilization of rehabilitation, because often the claimant nurtures his disability in order to collect benefits. The ethics of the situation are such that for some claimants, WC is a system to be bilked, since it is the insurer, the state or the employer who pays and they can afford it.

Back injuries involving soft tissues average 46 weeks of disability, in WC cases and those with bone injuries average 232 weeks of disability. Medical authorities have estimated convalescence for soft tissue back injuries at 3 to 6 weeks, and a 3 to 6 months average for bone injuries. Perhaps WC is being molded into a health insurance program and a pension system made ready to compensate for the risks of living.

To rehabilitate the WC system there must be de-emphasis of disability, glorification of the attorney's role, rejection of the attempt to make of WC a court for meting our personal injury awards, recognition by employers of the need to utilize the physically handicapped, responsibility of all insurers to consider the claimant as something other than a case file and premium risk.

If WC were the only program in effect for the protection of the worker, its adequacy might be questioned. The scope of WC has been widened to become the bastion of an employe security program in the absence of any other means. Adequacy then must be measured in terms of the over-all social insurance programs in effect and in terms also of what is wanted and expected of the program.

## Minn. IM Hearing Nov. 9

Commissioner Sheehan of Minnesota has set Nov. 9 as the day for hearing to determine if the nationwide marine definition as promulgated by his department Dec. 1, 1953, should be amended with respect to insurance of grain or flour at the risk of grain dealers or millers, and if so to what extent such insurance not now within the scope of the definition should be included.

## Pipeline Insurance Buyers to Meet

An attendance of about 25 is expected for the semi-annual meeting Oct. 21-22 at Detroit of Pipeline Insurance & Managers Conference. This is an organization of about 30 executives of pipeline companies, who have responsibility for corporation insurance. The membership extends throughout the United States and into Canada. At the Detroit meeting there will be one outside speaker, L. R. Christman, executive secretary of Standard Accident, who will talk on the new workmen's compensation policy.

**Jackson County Ins. Plans Debated**  
Although a renewed attempt to abandon a self-insurance program came close to adoption in Jackson county, Mich., board supervisors have referred the matter back to the insurance committee for deliberation.

The insurance fund contains \$86,000, while county buildings are estimated to value \$2,380,000. It was suggested that five major buildings be insured with private carriers and the investment returns of a sinking fund used to pay premiums and cover minor uninsured losses.

## Philadelphia Mariners Meet

Newly elected Skipper William Nicholson of Home, presided at the luncheon meeting of the Philadelphia Mariners club. Steve Van Buren, a former football player, showed films of the 1953 Philadelphia Eagles in action. The Nov. 1 meeting will feature a law enforcement agency speaker.

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## A & H Sales Congress in Pacific Northwest Draws Top Attendance

The largest attendance—308—of any A & H sales meeting in the Pacific Northwest was enjoyed by the Northwestern International A & H sales congress in Portland last week under sponsorship of the A & H underwriters associations of Portland, Seattle and Vancouver, with the Portland group as host.

J. L. Gilbertson of H. K. Coffey & Associates was general chairman of the activities of a busy day, which began with registrations at 8:30 and included morning, luncheon and afternoon sessions, followed by a dinner, dance and floor show in the evening.

E. J. Coffey of the Coffey agency and president of the Portland association, opened the meeting and paid special tribute to Dwight Mead, Pacific Mutual Life, Seattle, founder of the Seattle association and past-president (1935-36) of the International association, and W. J. Bryant, North American Accident, Portland, founder of the Portland association.

Robert B. Taylor, Oregon insurance commissioner, returned early from a meeting of Canadian commissioners to deliver the address of welcome. He urged a high selection of agency force personnel. He mentioned activity in Canada of "crown corporations," especially in hospital service programs, and said that the industry in the U.S. should be alert to forestall any encroachment by states or the federal government upon private-enterprise insurance. He said that the conduct of agents and contacts with the public can lessen such developments.

The potential growth of the Northwest, particularly in resources, was reviewed by Edwin A. Phillips, vice-president and superintendent of agencies, Standard Insurance, Portland. He suggested a re-examination of all phases of business activity to uncover sources of business which might have been overlooked. He cited the population increase in relation to basic wants—food, shelter, clothing—as a favorable market influence.

Highlight of the meeting was a panel discussion on developing business moderated by E. F. Peithman, vice-president, Olympic National, Seattle. John Nute, Swett & Crawford, Seattle, gave evidence that the market for business A & H is just as good a mar-

## J. E. Ransel Named As Indianapolis President

J. E. Ransel, secretary and insurance manager of Gregory & Appel, has been elected president of Indianapolis Insurance Board to succeed John F. Lance. Glenn Findley is the vice-president, and Harry Wheeler was reelected treasurer.

## New Atlantic Office

The Atlantic Mutual companies have opened a new office at 22 East Gay street, Columbus, O. J. R. McLeod has been named state agent in charge of the office.

Mr. McLeod, who joined the companies in 1948, previously was special agent at Cleveland and Cincinnati.

## Fort Wayne Adjusters Discuss PD

A panel discussion on automobile material damage and property damage losses highlighted a meeting of Fort Wayne Adjuster's Assn. Claude Fleener of Fleener & Son Automobile Damage Appraisal Service moderated.

ket as business life insurance. Paul Hendricks, Aetna Life group department, Portland, explained why group is big business, defined various plans, and urged agents to give attention to group accounts. I. E. Morrison, claim department manager, Olympic National, Seattle, suggested use in all available tools and prospecting techniques in developing business among individuals. Craig Stewart, Paul Revere and Mass. Protective, Seattle, said that personal recommendations are valuable in approaching professional men, and that consideration always must be given to the fact that they are very busy people.

L. A. McKinnon, president, International Association of A & H Underwriters, discussed "Our Place in the Sun." He was introduced by M. W. Bronson, Occidental Life, president of the Seattle association.

Frank W. Bland, Pacific Coast manager, the National Underwriter Co., San Francisco, drew upon his 38 years in the insurance business to present his ideas and suggestions as to the influence of the A & H salesman in his community. He was introduced by

Lloyd Bunch, superintendent of agencies, Insurance Company of Oregon, Portland.

H. J. Seed, president, British-Pacific, Vancouver, and president of the Vancouver association, introduced William G. Coursey, executive director, International association, Chicago, who explained the value of membership in the association.

Chester C. Elson, general agent, Mutual of Omaha, Waterloo, Iowa, climaxed the meeting with an inspirational dramatization of human interest factors as they apply to A & H selling.

# NOT AN EXPENSE

**It could be said in a negative way that the company that does not advertise is reactionary, unprogressive, old-fashioned and not in step with the tempo of modern business.**

**But we prefer to state it positively; to say, in brief, that the successful company is always the one that believes in advertising; that uses advertising to develop and extend its business and its agency organization.**

**Such a company knows that advertising is not an expense comparable to rent, light, heat, office maintenance, etc., but that it involves spending money to make money. It is a known and established way of improving the financial and agency situation of any company that will employ it intelligently.**

**An insurance company with this conception of advertising, arranges to include in its program and budget the quality, service-giving insurance papers, and always, of course, The National Underwriter.**

**The NATIONAL  
UNDERWRITER**  
Largest Circulation of Any Weekly Insurance Newspaper



Number nineteen of a series.

## EDITORIAL COMMENT

### Serious Threat to the Agency System

At a recent meeting in Los Angeles, American Federation of Labor indicated that it may urge the revision of state laws which require the payment of fees and commissions to agents and brokers on union welfare fund insurance accounts.

This is one of the most important—and serious—proposals to be made with respect to the agent and his function in many, many years. A few of those in the business, and some near it, recognize that such a proposal by a powerful labor organization, if pursued, may have very serious impact on the present methods of distributing insurance in the U. S. Therefore the assessment of the situation by AFL, astonishing as it may be in some respects to informed persons, is nevertheless of the utmost concern to both insurance companies and producers, in life, A&H, and fire-casualty insurance.

Undoubtedly if AFL were successful in securing legislation at any point which eliminated the producer (to get at the elimination of his commission) on union welfare fund insurance, it could start the unraveling of the entire agency system. In addition, of course, this is an important field and if such funds continue to grow at anything like the pace they have maintained in the last few years, by the end of the next 10 years they will constitute one of the most important fields in insurance.

To start with, the problem thus posed cannot be ignored. It cannot be solved with hope and faith that time will cure it. Companies and agents need to examine the problem and offer a solution that is satisfactory to everyone involved.

It is not against the law for insurers to sell direct to insured, without the use of an independent agent or broker. But it is against the law for an insurer to do this with one insured and not with all. This is the way in which the law prohibits unfair price discrimination. In New York this law is section 209, subsection 2. If an insurance company wants to dispense with the services of the producer, it can do so, but it cannot offer one insured a price based upon this kind of operation and another insured of a similar character a price which includes commissions for services of a producer and therefore at a higher price.

Neither will the answer be satisfactory that there are only a few producers guilty of questionable practices such as kick-backs to union officials or people influential in unions, paid from commissions received for doing little or no work in the placement of such business. Investigation proves this to be the case, but the problem still exists, and if it is small in size, it casts a very long shadow.

The solution suggested by AFL would, of course, be no solution at all. It would not solve the unions' problems, and it would create a great many for the insurance business and insurance departments. The elimination of the agent or broker is not in itself going to do away with kick-backs and other illegal activities in connection with union welfare funds. There are fields in which companies operate direct with the customer, usually a customer that resembles in kind a union to the extent that it has a wholesale position and is handling a number of insurance units. From time to time difficulties have cropped up in these fields which indicate that this direct relationship of insured with insurer does not in itself solve the kind of problem AFL faces.

It would not be sound business for a union to go to a company which will sell to it "direct". The independent producer has proved over the years that he can provide valuable service. This raises the question of what service is, and it is one of the most important facing the business today. In connection with union welfare funds, if the producer did nothing more than influence the union to place the business in an excellent company, he has performed a service of very considerable, perhaps essential character. He may, by making one suggestion at the proper time, cause the establishment of an arrangement that will save the fund and its beneficiaries subsequent difficulties.

It is not against the law for insurers to sell direct to insured, without the use of an independent agent or broker. But it is against the law for an insurer to do this with one insured and not with all. This is the way in which the law prohibits unfair price discrimination. In New York this law is section 209, subsection 2. If an insurance company wants to dispense with the services of the producer, it can do so, but it cannot offer one insured a price based upon this kind of operation and another insured of a similar character a price which includes commissions for services of a producer and therefore at a higher price.

That the size of the problem, percentagewise, is not tremendous, is indicated by investigations of the New York insurance department into union welfare funds which show that less than 2%, over-all, has been paid in commissions for producer services on welfare fund business. That is not

much more than a finder's fee. Real estate brokers are paid 5%, mortgage brokers one-half of 1%, etc.

There are some instances of companies competing for business and paying as high as 15% commissions on big risks, and it is true that the 2% would amount to a lot of dollars on big cases. The large insurers pay graded commissions. In general, investigation shows that it is the smaller insurer which pays the high commission, even on large risks, presumably in an effort to get more premiums in this field, yet insurers are not always or entirely to blame. Some unions have encouraged the practice so there is margin for kick-backs and money for administration and service charges which will, somewhere along the line, in this and other ways, insure to the benefit of unions, union officials, or persons favored by unions.

This has become a highly competitive field. In fact, being group business, and also being highly competitive, the rates offered by the reputable insurers are extremely favorable to these funds and therefore to the beneficiaries of such funds.

There has also been some switching of business; some agents have taken advantage of the fact that in general this business pays a commission that is higher in the first year than it is in the succeeding years, and switch business from one insurer to another in order to keep it in the high commission bracket. This is, of course, against the law in some states. The New York law, section 127, prohibits misrepresentations and misleading and incomplete comparisons on life and A&H. Unions, if they wanted to, would complain about such practices where they

exist. Here again investigation has shown that there is a small amount of violation of this law.

No one seems to have a remedy. It may be that one can be evolved if companies, agents, unions, state supervisory authorities and others sit down in a calm way and attempt to do so. Certainly no one, except AFL, regards the elimination of the agent's commission as the solution to the problem.

Another suggestion is that the business and supervisory authorities adopt some sort of commission regulation. There has been the greatest reluctance on the part of the business and the commissioners, and particularly the latter, to do this, or even approach it.

To eliminate commissions, it is generally admitted, would be to open a Pandora's box—it would be like burning the house down to get rid of the rats. There are only a few rats and they operate in only one small corner of the business. They do present a problem, but it would be ridiculous even to suggest that an extremely good, efficient and successful a distribution system be scrapped to solve this one minor, but troublesome problem. No matter how low commissions are set, if a producer wants to rebate, he will do so. There are already laws against splitting commissions.

The vast majority of producers are not involved in illegal activities. No service broker creates the problem. The majority of unions are not participating in the results of illegal or questionable practices.

Yet the problem is there and needs to be solved if the business is to avoid a state fund for this business, or see unions set up their own insurers, which won't help anyone involved.

## PERSONAL SIDE OF THE BUSINESS

**Gilbert L. Scott**, vice-president of the Homeland of the North British group, who has just been named chairman of the committee on losses and adjustments of New York Board, is a past president of Loss Executives Assn. This is one of the most important committees of New York Board.



Gilbert L. Scott

of Hartford Fire and Hartford Accident and in the insurance clubs' entertainment bureau.

**Sidney Saul**, local executive at Atlanta, has an article in the October issue of Southern Banker, written on the theme that it is the duty to ask the bank client whether he has ever had a survey made of his property insurance. The article develops this theme and stresses the fact that a survey may result in discovering critical gaps in coverage, and reduced costs, or both, if it is done by a competent local agent.

**William J. Cody**, supervising underwriter in the home office of Hartford Accident, is observing his 25th anniversary with the company. He was previously with Travelers for seven years. He is active in the Men's Club

James J. Hermann, head of the independent adjusting firm of that name in Chicago, was presented with a plaque from his fellow members of National Assn. of Independent Insurance Adjusters for his "excellent performance in his assignment as editor

### The NATIONAL UNDERWRITER

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**OMAHA 2, NEBR.**—610 Keeline Bldg., Tel. Atlantic 3-4116. Clarence W. Hammel, Resident Manager.

**PITTSBURGH 9, PA.**—123 S. Broad Street, Room 1127. Tel. Pennypacker 5-3706. E. H. Fredrikson, Resident Manager.

**PITTSBURGH 22, PA.**—503 Columbia Bldg., Tel. Court 1-2494. Bernard J. Gold, Resident Manager.

**SAN FRANCISCO 4, CAL.**—Flatiron Bldg., 544 Market St., Tel. Exbrook 2-3054. F. W. Bland, Pacific Coast Manager.

October 21, 1954

## The NATIONAL UNDERWRITER

23

## DEATHS

of The *Independent Adjuster*, the official publication of the association. Additional Hermann offices are located in Aurora, Waukegan and Joliet, Ill.

**William G. Pritchard** of Pritchard & Baird, reinsurance, New York, leaves Nov. 10 on the Queen Elizabeth for England. He will spend about four months at the London office of Leslie & Godwin becoming acquainted with operations of the London market. Mr. Pritchard has been with Pritchard & Baird since leaving the air corps. In 1950, his brother Charles Jr. also spent time in London on a similar mission.

**Mel Gutstadt** of J. J. Gutstadt & Co., Chicago brokers is wearing a broad smile these days as the result of the arrival of a son, James, six pounds, 12 ounces. This is the first child in the family, and congratulations are also being extended to the father, Joe Gutstadt, becoming a grandfather for the first time. He has one other son and two married daughters.

**T. Janney Brown**, Washington, D. C., agent with Golden agency, and Mrs. Brown are celebrating their 60th wedding anniversary. Mr. Brown became the youngest agent of Penn Mutual in 1890 when he was 23, and is still associated with the company.

**Max M. Fulks**, local agent of Chillicothe, O., has been made a 33rd degree Mason. He will receive his degree at the convocation of the supreme council at Detroit in the fall of 1955. Mr. Fulks has been in masonry since 1919.

**Harold V. Smith**, chairman of Home, has been appointed New York state chairman of the 1955 March of Dimes. Mr. Smith, a trustee of the National Foundation for Infantile Paralysis, previously served as chairman of the greater New York March of Dimes.

**George M. Smith**, now serving his third term as lieutenant governor of Wisconsin, will join the McNamara agency at Waukesha. His term expires in January. He was a politically unknown textile salesman when nominated in 1948.

**Joe C. Carr**, Nashville local agent and Democratic state treasurer, will direct the inauguration of Governor Clement on Jan. 18.

**Cliff B. Dye**, president of the Insurance Board of Cleveland, is recovering from a serious case of pneumonia at his home there.

**Joseph J. Geraghty**, manager at Denver for New Amsterdam Casualty and Miss Jess Conklin were married Oct. 6.

## Swanson to Crum & Forster as Central Ill. State Agent

**Stanley S. Swanson**, formerly in the Illinois field for Employers group, has been named state agent in central Illinois for Crum & Forster. He succeeds Thomas Oglesby who has entered the local agency business in Peoria.

Mr. Swanson has spent his entire business career in insurance, including agency experience at Chicago. After spending short time in the western department at Freeport he will make his headquarters at Decatur.

**Mutual Assurance of Virginia** will erect a 200-car, 3-level parking garage in Richmond. It will be primarily for use by tenants of the Mutual building. Cost, including land, is expected to be about \$350,000.

Wilson, will continue the firm. He has been associated with his father in the business.

**ARNOLD M. STEPHENSON**, 51, for 10 years district claim manager for American Mutual Liability, died in Methodist hospital, Indianapolis. A former president of Indiana Claim Men's Assn., he had been with the company 28 years.

**HARRY E. FROST**, 70, who for 25 years was with America Fore group, died at his home in Lake Geneva, Wis. Mr. Frost had retired as state adjuster in 1951.

**EUGENE M. HANSEN**, 27, agent at Arco, Ida., was killed when his car left the highway near Moore while he was returning from a business trip to Mackay.

**MARKHAM D. KOSTMAYER**, 68, local agent at New Orleans died in Touro Infirmary there after a brief illness. He had operated his own agency since 1907.

**ARNOLD M. STEPHENSON**, 51, district claim manager for American Mutual Liability at Indianapolis, died there. He had been with the company

for 28 years and was a past president of Indianapolis Claim Men's Assn.

**LESLIE N. HALE**, who retired from Phoenix of Hartford in 1952 after 34 years with the company, died.

**FRANK G. ELLIOTT**, 86, local agent of Stoneham, Mass., who had been with Walter H. Wilcox agency 40 years, died. His son, Elwood B. Elliott, is also with the Wilcox agency.

## Allstate Fire Filing on Homes OK in Vt.

Vermont department of banking and insurance has approved the residential fire insurance filing of Allstate. Rates will be approximately 20% below bureau rates, according to Calvin Fennessy, Jr., president. The company will confine its writing to fire cover on homes and residential buildings housing up to four families and will insure household contents and personal property and buildings housing up to 20 families. There are no immediate plans to write fire insurance on commercial or farm buildings and contents.

**William B. Abbott** of Houston has been made a partner in the Llangham Langston & Burnett insurance agency there. An attorney, Mr. Abbott is a world war II veteran.

Furnishings or merchandise contaminated by smoke odors.	Beams, walls or other permanent members contaminated.	Food containers contaminated by smoke odors.	Contamination by flood water odors.
✓	✓	✓	✓
Ammonia fume contamination.	Oil spillage fume contamination.	Oil fire smoke odor.	Automobile interior odor contaminated.
✓	✓	✓	✓
Cargo hold contaminated by odorous shipment.	Paint fume contamination.	Burned rubber odor.	Burned meat odor.
✓	✓	✓	✓
Charred bone odor.	Burned insulation odor.	Interior of air conditioning system odor contaminated.	Sulphuric acid fume contamination.
✓	✓	✓	✓

## Airkem SOS solved these odor problems for others . . .

**It can do the same for You.**

Repairing odor damage—quickly, safely, permanently—calls for the services of specialists. For close to seven years Airkem SOS Laboratory and field personnel have served the insurance industry well—by specializing in but one thing: the scientific removal of odors.

When you and your assured are faced with any of the problems listed above, call in your local Airkem SOS repre-

sentative for the right answers—answers verified by one of the world's largest laboratories devoted exclusively to the study of odors and the development of odor counteractants.

For full information, phone your local Airkem representative now (he's listed in your phone book) or write direct to Airkem, Inc., 241 East 44th Street, New York 17, New York.

**Airkem**  
Smoke Odor Service

\*Includes Extras.

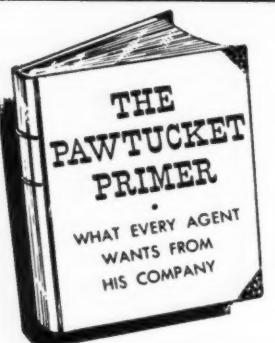
## LOOKING AHEAD!

Maybe the competition everyone is talking about isn't bothering you a bit right now and, it's possible, though not probable, that it never will.

Give the best service you possibly can — add Lumbermens low cost, and you'll have the best safeguard against competition, present and future.

**THE  
LUMBERMENS  
MUTUAL  
INSURANCE  
COMPANY  
MANSFIELD, OHIO**

BRANCH OFFICES:  
DALLAS, TEXAS  
LOS ANGELES, CALIFORNIA



**N**AME  
Pawtucket Mutual derived its name from an Indian word meaning "at the falls" and refers to its location in Pawtucket.

**O**RGANIZATION  
Pawtucket Mutual is proud of its organization consisting of efficient Home Office personnel supported by a well-trained Field Force servicing a widespread group of agents.

**P**ERFORMANCE  
One of the dominant issues responsible for Pawtucket Mutual's position in the insurance industry is the faithful performance of its many duties.



The quality of its assureds has been instrumental in keeping Pawtucket Mutual losses to a reasonable figure.

**PAWTUCKET MUTUAL  
INSURANCE COMPANY  
25 MAPLE STREET, PAWTUCKET, RHODE ISLAND**



## Survey Shows Auto Volume Can Be Rewon

(CONTINUED FROM PAGE 17)

Policyholders insured through local agents would switch to another company and another company for a saving in cost of \$2 annually? \$5? \$10?

What percentage of automobile insured presently in non-agency companies would pay more in the form of additional premiums for capable service from a local agent? How much more would they be willing to pay?

The group's own employees in the field made the survey. However, they used the same sampling methods employed by large public opinion polls. Care was taken to get a distribution of answers from all parts of the country, and most answers came from automobile owners in the middle income class. Questions were phrased so as not to influence persons being interviewed, and the interviewers were especially cautioned not to approach friends or policyholders of the Kemper group. Answers from policyholders of the group were not refused, but interviewers deliberately tried to stay away from them.

There were two sections to the questionnaire, one to be used with agency company policyholders and the other for non-agency policyholders. One of the first questions developed the name of the insurer. If he were insured in a non-agency company he was asked only the questions of the second section. In each instance the interviewer estimated the approximate income of the person responding, and this estimate was checked with answers to the question on how many cars the person owned. Consequently, the Kemper group believes the income estimates are reliable.

On check, no important variation developed in the answers received. After the first sampling was completed, the companies waited two months, and then, using the same questionnaire, had interviewers contact an entirely different group of car owners. These results were checked against the results from the original group and again no wide variation was found between the answers from the first and second questionings. Consequently the group believes that the opinions are typical of the middle income class automobile insurance market.

The geographic distribution of those interviewed was: east, 51%; midwest, 17%; south, 16%; west, 14%; Canada, 2%.

The approximate income level of

### Compare Ross's Career to That of R. W. Forshay

(CONTINUED FROM PAGE 17)  
with might and main to heal the breaches and to compromise conflicting viewpoints. His unsparing efforts culminated in the historic 1942 convention, at which the new constitution has proved satisfactory ever since. The Ohio association did not formally reaffiliate until 1944, after Mr. Forshay's death, but he laid the groundwork by his personal efforts. The work he put into his administration took its toll and, after a sudden collapse and a brief illness, Mr. Forshay died April 1, 1943, three months short of his 41st birthday.

Mr. Ross's friends expect a splendid administration of him, but they hope that he will not have to contend with as serious problems and that he will not wear himself out as did the predecessor with whom he is so often compared.

those interviewed was: Under \$5,000 annually, 27%; \$5,000, 29%; \$7,500, 24%; \$10,000, 12%; \$15,000, 3% and over \$15,000, 5%. Of those interviewed 92% were male and 8% female; 85% owned one car, 14% owned two and 1% owned more than two.

Of the 87% who knew the name of their insurer, a surprising figure in itself, 51% were insured in stock agency companies, 33% in non-agency companies, and 16% in mutual agency companies.

Of agency company policyholders 10% had had their insurance there for a year or less, 44% for two to five years, 21% for six to nine years, and 25% over nine years; for non-agency company policyholders, these figures were 16%, 52%, 15% and 17%, respectively. This data varied greatly between insurers. Answers of policyholders of one non-agency company showed that 24% were in their first year and an additional 60% had been insured in the company from two to five years—84% had been insured in the company five years or less.

The agency name was known by 96% of agency company policyholders. Asked how they happened to place their business with the agency, 47% said personal friend, 23% said friend recommended the agency (this is a total 70%), 7% were solicited, 7% had gone to the agency because of reciprocity, 2% had responded because of advertising, 2% because the business was placed through an employer, 10% for other reasons, and 2% for no reason.

Of non-agency company policyholders 57% indicated they switched from a local agent to the direct writer and 43% said they did not. Mr. Flanagan commented here that the fact that 43% did not switch from a local agent shows the tremendous market agents might have secured had it not been for the activities of non-agency companies.

Of those that did change to non-agency companies, 69% did so because of price, 4% because of friendship, 3% recommended by friend, 1% payment plan, 2% claim experience, 2% solicited, 13% for other reasons, and 6% for no reason.

Of agency company policyholders, 95% indicated that they thought their agents were capable insurance men, and watched their policies; of this group 68% said the agent was capable, watchful and made recommendations, 27% said the agent was capable, watchful but made no recommendations. Only 5% said they thought their agents were not capable.

Of non-agency company policyholders 75% felt that their present company reviews their policies regularly to see they have the latest and most improved form of policy and that they are properly insured, 25% felt that this was not the case. A very high 96% said that claims against their present automobile insurer were handled efficiently—only 4% said they were not handled efficiently; 43% indicated the claim was handled by someone they knew, 57% indicated that a stranger handled the claim; and 54% indicated they prefer someone they know to handle claims; 23% would rather deal with a stranger, and 23% indicated no preference.

Of agency company policyholders, 79% preferred to deal with the agent in case of an accident, and be assisted by him; 13% preferred dealing with a company adjuster exclusively, and 8%

(CONTINUED ON NEXT PAGE)

had no choice. In case of third-party claims, 38% were well satisfied with the treatment and settlement of claims against another motorist's insurer; 37% were satisfied, and 25% were not satisfied. The agent who takes care of insured's automobile insurance also handles his fire insurance in 63% of the cases; to the question, does any other agent handle any part of your property or liability insurance, 37% said yes and 63% said no. These questions were all asked of agency company policyholders.

Which method of paying for automobile insurance do you prefer when there is no difference in annual cost? Of agency company policyholders 46% indicated they would like to pay every six months and 54% want to pay annually. Of non-agency company policyholders 67% like the six-month deal and 32% the annual, with 1% having no preference. For all automobile insured interviewed this splits down the middle 50-50. More than 80% of the large farm automobile mutuals, all of whom are accustomed to six-month policies, preferred to pay every six months.

If you could place your automobile insurance with another agent and company at a saving in cost, would you make this change if the saving amounted to \$2? Five per cent answered yes; for \$5, 18% answered yes; and for \$10, 37% said yes. Thus 60% would change for an additional payment of up to \$10 and 40% would not.

If your old agent can give you insurance in a strong company with fine service at more than you are now paying, would you place your insurance with him again? Of those expressing an opinion, 34% said they would pay up to \$10 a year more, 23% said they would be willing to do so for \$2 to \$10 a year more, 23% for \$5 to \$10 a year more, 11% for \$10 a year more and 66% said they would not change. Naturally these questions were asked of non-agency policyholders.

Another asked of that group was, how much more would you be willing to pay annually, in additional premiums to an agent who is capable, watchful of your interests and who made recommendations to better your insurance protection? Of those expressing opinions, 48% said they would pay \$2 to \$10 a year more, 34% \$5 to \$10, 14% \$10, and 52% said they would not change.

Mr. Flanigan pointed up two conclusions from the study—that people want to save money on their automobile insurance; 60% of policyholders in agency stock companies are vulnerable to price and of policyholders in non-agency companies 69% bought because of price. However, the conclusion is also inescapable that they want agency service also since 79% of agency policyholders and 54% of non-agency policyholders prefer to deal with someone they know in presenting claims, and 48% of non-agency policyholders would pay \$2 to \$10 a year more to get agency service.

In setting up the advertising program, the group divided a "Kemper approved insurance adviser" seal to dramatize and symbolize superior local agency service. Agents must qualify for the designation and subscribe by signature to the standards of superior agency service.

The test campaign which was run in Connecticut and North Carolina in April, May and June, has been exceptionally successful in producing increased automobile business for those

agents. Photographs of agents are featured in newspaper advertisements. Agents have secured many expirations which should lead to additional future business. One Connecticut agent received 10 inquiries at his home the day the first advertisement appeared in his local newspaper and he wrote 10 automobile policies that day. Some agents have been able to get policyholders back that they lost to non-agency companies.

The advertising program, which begins Sept. 26, will appear in 125 newspapers in 33 states across the country.

## Feike Named at S. F.

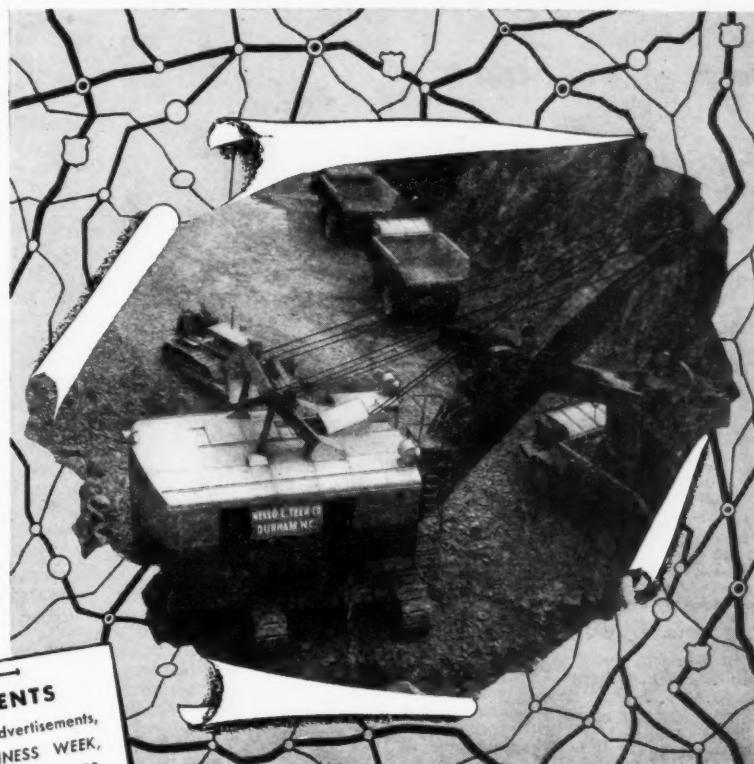
John Feike has been appointed sales manager of Informative Research at the San Francisco office. He has been special representative for a year and a half at Los Angeles. Mr. Feike attended the University of Oregon and received his degree from the University of Southern California.

The new workmen's compensation policy was explained by Victor G. Lowe, Jr., general manager of Minnesota Workmen's Compensation Rating Bureau, in a talk to *Insurance Club* of Minneapolis.

## Two Stations Sued Ban Political Speeches

Facing damage suits totalling \$4 million as the result of statements broadcast during the Congressional primary in Tennessee last August, stations WSM, radio and TV station owned and operated by National Life & Accident, and WLAC-TV, owned and operated by Life & Casualty, have placed an absolute ban on political addresses. Federal communications commission has been asked to approve this action on the basis of the pending damage suits.

*Nello L. Teer Co. of Durham, N.C., client of U.S.F.&G., and a contractor on the Pennsylvania, West Virginia and Maine turnpikes.*



### U.S.F.&G. AGENTS

This is one of a series of advertisements, appearing in TIME, BUSINESS WEEK, NEWSWEEK and NATION'S BUSINESS, designed to help increase your business.

## Breaking through the web of traffic congestion

The highway traffic load, which has grown tremendously in the last twenty years, has far outdistanced new road construction. With 56 million motor vehicles now jamming U.S. highways, the nation faces a critical traffic problem.

To help solve this problem, 5,850 new turnpike miles are projected or under construction, and an estimated 50 billion dollars will be put into road building and improvement during the next ten years.

Through surety bonds which guarantee performance of construction contracts, U.S.F.&G. is helping make many miles of these new highways possible. In addition, contractors throughout the United States and Canada rely on U.S.F.&G. for essential insurance coverage on road building operations and equipment.

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# ACCIDENT AND HEALTH

## National Has New \$8,000 Major Medical

National of Hartford group introduced a new \$8,000 maximum benefit major medical expense policy at a regional sales meeting of its Connecticut agents at the home office.

The policy contract carries a maximum benefit of \$8,000, regardless of hospital confinement. It can be written on a family or individual basis with the option of a \$500 or \$750 deductible subject to a 75% participation by the insurer on all covered expenses above the chosen amount of deductible.

## H&A Conference, LOMA Hold Forum at Chicago

Keeping business on the books, determining pure premium costs and allocating home office expenses were the principal subjects considered at a methods and procedures forum in Chicago conducted jointly by H & A Underwriters Conference and Life Office Management Assn.

Persistency of A&H business was considered by John W. Cromwell, Great American Reserve, and Lester O. Copeland, North American Life. Methods of determining pure premium costs were discussed by Walter M. Foody, Jr., Continental Casualty. Methods of allocating home office expenses was the topic considered by James N. Gillespie, Time; Walter J. Ongert, World, and Paul M. Otteson, Federated Mutual I. & H. There also was a symposium on small company problems, led by Henry Lyon, Preferred Life.

## Portland A&H Assn. Name Changed; Powell Speaker

Portland Assn. of A&H Underwriters has changed its name to Oregon Assn. of A&H Underwriters. At the meeting where the amendment to change the name was adopted James E. Powell, vice-president Provident Life & Accident A&H department, spoke on the need for vigilance on the legislative front in order to protect the future of A&H business.

He stressed the importance of strong local associations when things are to be accomplished on a legislative front and advised the members to watch all bills introduced in the next session on the state level, noting that this was

often the forerunner of legislation on the national level.

Estimating this year's A&H premium volume at somewhere around \$3 billion, Mr. Powell predicted a \$7 billion business in the years ahead. He said adverse publicity has dogged the steps of the A&H business during the past year, but this has served only to make the company leaders more aware of their responsibility to the public and the agents representing the many companies handling this type of coverage.

## North Central Ind. A&H Men Organize, Elect H.P. Means

North Central A&H Assn. was formed at a meeting at South Bend and thus becomes the second local association in Indiana. The other is at Indianapolis.

Harold P. Means, Means agency, was elected president; Dale Apt, Lincoln National, vice-president, and Loyal Wilson, Jr., Mutual of New York, secretary. All officers are from South Bend. Mr. Means is a past president of the state A&H association.

## UCD Hearing in Minn. Nov. 8

The special advisory council on sickness and disability insurance of the Minnesota legislature has scheduled a public hearing Nov. 8 at St. Paul to get opinion as to a state program of non-occupational disability benefits. The council is directed to submit a report to the governor and the legislature and has been making a study of such legislation in Rhode Island, New Jersey, New York and Connecticut.

## Lincoln A&H Men Elect

David Tipton of Lincoln was elected president of Nebraska State Assn. of A&H Underwriters to succeed Austin Bear of Scottsbluff, who becomes board chairman and a vice-president. George Harding of Omaha is also a vice-president. Named secretary-treasurer was Lloyd Lippstreu of Lincoln.

## A&H Directory Distributed

The 1954-55 directory of the H&A Underwriters Conference, expanded to cover recent activities, is being distributed. Description of bulletins and publications, an outline of activities and services, lists of member companies and a calendar of future meetings are included.

## Ark. Legislative Unit Reports on A&H

LITTLE ROCK—Stricter regulations to control misleading representations or statements made by agents selling A&H insurance and to curb misleading statements made in company advertising material has been recommended by the research staff of the Arkansas Legislative Council in a report prepared for the council's committee on corporations, insurance and banking which for several months has been engaged in making a full scale investigation into the insurance business.

Present laws do not touch these matters, the reports point out, which have caused the greatest amount of misunderstanding among insureds. A&H coverages are now regulated principally under act 394 of 1951, the so-called "model provisions law" recommended by the NAIC, which does not become fully effective until Jan. 1, 1955; the Arkansas unfair trade practices act pertaining to insurance passed in 1949, and several older statutes (1) requiring the department to approve all contracts intended for use, (2) the licensing of agents, and (3) a prohibition against false statements.

"On its face it would appear that the problem of misleading statements by agents is now sufficiently regulated," the council staff reported. "However, the problem is not that the agents actually make misrepresentations in the legal sense but rather that they discuss only the most favorable provisions of the policy with the prospective buyer and do not mention the unfavorable ones." For example, the report says:

"They make broad representations like, 'this policy will pay you \$15 per day for every day you are confined to bed as a result of an accidental injury whether you are in a hospital or not,' and do not mention the qualification that the injury must have been incurred while riding on a common carrier. This is not true misrepresentation but is merely a misleading statement and apparently not punishable under Ark. Stats. 66-325 relating to false statements." However, the council staff thought that such misleading statements might be construed as sufficient cause to revoke or suspend individual agents' licenses.

A similar problem of misleading statements exists in the field of company A&H advertising. While the fair

trades act bars misrepresentations of policy terms, "the statements which are most often complained of by policyholders are not true misrepresentations," the staff found: "these statements are usually in the form of true representation of the desirable provisions of the policy coupled with no representation concerning the undesirable and qualifying provisions, thus leading to a misunderstanding on the part of the buyer concerning the coverage he is getting." The staff suggested that the words, "misleading representations" be inserted into the act so that the commissioner will be authorized to prohibit the circulation of misleading material, as well as material containing true misrepresentations.

The report also found that act 394 was inadequate to control mail order business. The act regulates all policies "delivered or issued for delivery to any person" in the state. But for enforcement against foreign mail order insurers it relies mainly upon enactment of the same or comparable legislation by the insurers' domiciliary states and upon reciprocal cooperation by the domiciliary insurance commissioners.

The council staff summarized its report with six specific recommendations: (1) the commissioner should require more information concerning the qualification and integrity of applicants for agents' licenses; (2) applicants should be subjected to a written examination on Arkansas insurance laws; (3) A&H companies should file copies of all of their advertisements with the commissioner; (4) all advertising should disclose limitations of the insurance contract as well as its benefits; (5) all policies which are subject to cancellation or renewal at the option of the insurer should plainly disclose such fact in the policy and in all advertising of the policy; and (6) some method should be set up to appraise the public of the willingness of the insurance department to investigate companies and agents who are misrepresenting their policies, and to encourage the public to complain of such misrepresentations or misleading statements.

## New Albany A&H Unit Elects Richer President

The first officers of the capital district chapter of International Assn. of A&H underwriters were elected at a meeting at Albany, N. Y. They are:

President, Hervy Richer, Security Mutual; vice-president, Edward R. Blackstone, Mutual of Omaha general agent; secretary, Louis Caplan, Security Mutual general agent; treasurer, Sidney L. Eisenberg, Eastern Casualty state agent; publicity chairman, Roland C. Van Loan, Eastern Casualty general agent, and board chairman, Louis Green, General Accident general agent.

## Analyzes A & H Publicity

James E. Powell, vice-president of Provident Life & Accident, speaking at the October meeting of A. & H. Managers Assn. of San Francisco, reviewed the publicity the business has been getting and touched on legislative problems. He analyzed the articles appearing in newspapers and magazines about A & H that began with the Readers Digest story about 18 months ago, and described the activities of joint committee on health insurance set up by Bureau of A & H Underwriters and H & A Underwriters Conference.

## Eastern A&H Units to Hear Osler

Robert W. Osler, vice-president of Rough Notes Co., publicity chairman of International Assn. of A&H Underwriters, will address the Baltimore A&H association Oct. 27 and the Connecticut association Oct. 28 on "What's Ahead for A&H."

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## Doremus to Talk on Home Covers at Baltimore

Assn. of Insurance Underwriters of Baltimore will hear Frederick W. Doremus, manager of Eastern Underwriters Assn., Oct. 22 on the new dwelling policies, with particular emphasis on the all physical loss and broad form policies. This is an evening meeting and will be held at the auditorium of Maryland Casualty.

Invitations to attend have been extended to Maryland Assn. of Insurance Agents; Delaware, Maryland & D. C. Fieldmen's Club and the four large insurers with home offices in Baltimore.

The meeting will be in the form of a panel. President Charles H. Cover will act as moderator.

## Underwriting Packages Will Hinge on Theft Hazard: Jaffe

(CONTINUED FROM PAGE 19) for the business to have an inspector intrude upon the policyholder's privacy unless a special situation warrants it.

Risk is not always in proportion to deterioration of neighborhood, Mr. Jaffe said, and the illustration comes from an underwriter who learned the hard way by paying a \$4,400 loss. This underwriter no longer writes A.E.C. on a brand new house because a house doesn't settle for a year or two. Until it does, the underwriter doesn't know whether he is going to pay for a plumbing rupture caused by settling.

Another area in which inspection cannot be adequate is the comprehensive personal liability feature. If the risk is bad from this angle, Mr. Jaffe said, you usually can't tell until after the loss. No practicable inspection will reveal such hazards as children leaving their skates on the steps at night or icing the sidewalk in winter for a sliding pond.

Despite the difficulty in assessing risk, the new CPL rates are thought to be quite adequate. This coverage is written by many small fire companies

as their first venture into the casualty field, Mr. Jaffe noted, and some have feared that they might not have the reinsurance treaties to enable them to write such high liability limits. Mr. Jaffe's opinion is that this possibility can be pretty well ignored by most companies.

With respect to broad coverage and "all physical loss" forms, Mr. Jaffe affirmed that there is little reason to suppose that the underwriting of these will differ materially from underwriting fire, E.C. and A.E.C. policies, despite the fact that the "all physical loss" coverage is much broader in its scope.

The replacement cost feature of both these forms is an exception. The gap between market price and replacement cost widens as a building ages, and if full coverage at the market price under these forms is carried, the insurer is liable for the much higher replacement cost. There is no provision for bridging this gap in the premium. The result is that resistance from underwriters may be expected on all aging dwellings.

In this respect a good knowledge of neighborhood etiology pays off, because it is the best substitute for an inspection too costly for the premium payment to bear. This knowledge is equally necessary in foreseeing water damage caused by backed-up sewers.

Considering the variety of risks encountered, Mr. Jaffe said, the underwriter is inclined to be conservative, and the agent who understands the underwriter's problems won't blame him a bit.

## Boston CPCU Elects

### Beam President

Max W. Beam of Fairfield & Ellis of Boston, was elected president of Boston CPCU. Other officers are John J. Kelly, Jr., of American Automobile, vice-president; Francis P. Lavin of Globe Indemnity, secretary; and Peter R. Salvaggio of American Casualty, treasurer. Executive committeemen elected are William F. Doran of Home Indemnity, Edward F. Sennott of Boit Dalton & Church, Edward Leveroni of Employers Liability, and John Ryan of Massachusetts Bonding.

At the meeting, William Bartlett, supervisor of the tabulating services of the point system of Massachusetts Registry of Motor Vehicles, spoke on the procedures of applying demerit system surcharges to compulsory automobile premiums in 1956.

## Firemen's Ups Dividend

Firemen's of Newark has voted to increase its annual dividend from \$1 a share to \$1.10, payable Nov. 15 to holders of record Oct. 15.

## Denver Agency Honored

Standart & Main agency of Denver received recognition from Royal-Liverpool group for more than 60 years of representation at a luncheon in Denver. R. D. Brumbaugh, secretary on the Pacific Coast for the group, presented David J. Main, president of the agency, with a fine clock-barometer. The staff of the agency and representatives from the Royal-Liverpool regional office were on hand for the event.

About 175 persons attended the New England Conference of Insurance Women at Montpelier, Vt. Speakers included Albert D. Pingree, deputy commissioner of Vermont; Samuel J. Hatfield, manager of the Burlington office of New England Fire Insurance Rating Assn.; Edward Welchman, president of Vermont Assn. of Insurance Agents; Miss Roberta White, president of the women's regional, and Miss Dorothy Downs, Miss Margaret Healy and Mrs. Blanche Novasad, past regional presidents.



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COMPANY LTD. • THAMES & MERSEY MARINE INSURANCE COMPANY, LTD. • VIRGINIA FIRE & MARINE INSURANCE COMPANY

- Oct. 24-26, Missouri Agents, annual, Sheraton hotel, St. Louis.
- Oct. 24-26, Illinois Agents, annual, Leland hotel, Springfield.
- Oct. 25-26, Kansas Agents, annual, Baker hotel, Hutchinson.
- Oct. 25-27, California Agents, annual, Palace hotel, San Francisco.
- Oct. 24-26, Illinois Agents, annual, Hotel Leland, Springfield.
- Oct. 25-27, National Assn. of Mutual Insurance Agents, annual, Statler hotel, New York City.
- Oct. 25-27, National Assn. of Independent Insurers, annual, Chase-Park Plaza hotels, St. Louis.
- Oct. 26-27, Massachusetts agents, annual, Boston.
- Oct. 28, Connecticut Agents, annual, Hotel Statler, Hartford.
- Oct. 29-30, Nebraska Agents, annual, Cornhusker hotel, Lincoln.
- Nov. 3-4, Maryland Agents, annual, Baltimore, Lord Baltimore hotel.
- Nov. 4-5, Illinois Assn. of Mutual Insurance Agents, Kaskaskia hotel, La Salle.
- Nov. 9-10, Mutual Insurance Agents of New England, annual, Boston.
- Nov. 10-12, Insurance section, American Management Assn., Palmer House, Chicago.
- Nov. 15-17, Indiana Agents, annual, Claypool hotel, Indianapolis.
- Nov. 21-23, Kentucky agents annual, Kentucky hotel, Louisville.
- Nov. 29-Dec. 1, Southeastern Underwriters Assn., semi-annual, Pinehurst, N. C., Carolina hotel.
- Nov. 29-Dec. 3, National Assn. of Insurance Commissioners, midwinter, Hotel Commodore, New York City.

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### Ask Increase in Garage Rates in North Carolina U. S. Chamber to Study Union Welfare Funds

North Carolina Automobile Rate Administrative Office has filed a request for an emergency increase averaging 25% in garage liability rates. Commissioner Gold set a public hearing for Nov. 17 in his office at Raleigh.

Mr. Gold turned down the rating bureau last July 6 on its request for increases averaging 42.4%, consisting of 18.2% in bodily injury and 89.1% in property damage. The refusal was based on use of a trend factor in the filing.

The rate office dropped the trend factor in its newest filing and reduced the PL request to an increase of 38.8%, while holding BI at 18.2%.

### McKendree Directs Markel Safety

Vernon W. McKendree has been appointed director of safety engineering of Markel Service. He will supervise the activities of the company's 150 safety engineers who patrol highways in the U. S. and Canada. He has been with the company 20 years and most recently as administrative assistant in the home office.

### Jaffe Forum On Surveys

The Jaffe semi-annual forum on selling through surveys will be held Nov. 9 in New York City. Alfred I. Jaffe, vice-president of the Jaffe agency, New York, sponsors the forum. There will also be a panel to answer questions from the floor.

### NCFIRB Elects Officers

RALEIGH—Officers and heads of the governing committee and executive committee were reelected by North Carolina Fire Insurance Rating Bureau.

J. A. Carruth of New York, vice-president of Home, was reelected chairman of the governing board and Gordon Kyle of Hartford, vice-president of Aetna Fire, was elected vice-chairman.

New members appointed to the executive committee are E. L. Hearne of Yorkshire, Greensboro and Henry Seawell, Travelers Fire, Charlotte. New companies elected to membership on the governing board are Lumbermen's Underwriting Alliance, New York Underwriters, North British and Southern Fire.

### St. Louis Insurer Has Changes

National Insurance Underwriters of St. Louis has appointed Harlan S. Herrin as aviation manager. Robert M. Craig has joined the company as claim manager, and A. Brown Dillard, auto department manager, has been elected vice-president.

National Insurance Underwriters is now licensed in 15 states and has recently begun writing fire and EC in addition to aviation and automobile.

### Casualty Adjusters Meet

Casualty Adjusters Assn. of Chicago heard Dr. Fred W. Fitz, assistant professor of medicine Northwestern university, on "Industrial Aspects of Heart Disease." The meeting was held jointly with Chicago Society of Industrial Medicine & Surgery. George Uglow, United National Indemnity, is program committee chairman.

The Neckerman agency of Madison, Wis. is this year marking its 40th anniversary. R. J. Neckerman was the founder. The present officers are R. C. Anderson, president; G. M. Neckerman, vice-president; R. E. Grady, secretary-treasurer.

WASHINGTON—Union welfare funds and their administration will be studied by the U. S. Chamber of Commerce. The insurance department and other branches of the chamber will participate in the study group which will represent all segments of business interested in welfare funds.

Submission of periodic reports on welfare funds to the internal revenue service will be one possibility studied. The service now receives reports on pension plans. Under this proposal employers would give a full accounting of their contributions, type of benefits paid, lists of administrative costs, investment income, and amounts and types of securities purchased by the fund.

If the employer has an insured unilateral program, he would also list the name of the insurance company and the premium amount shown on the policy, other payments made by the employer for professional services and administrative costs connected with the welfare fund.

Attached to the employer report would be a statement by the insurer showing commissions paid by it, to whom paid, etc. Where several employers contribute to a fund, all information would be filed by an account number given to the fund, so for the first time the amount of employers' contributions could be checked against that received by the welfare fund.

The welfare fund administrators or trustees would file a report with the internal revenue service showing their fiduciary responsibilities, names of labor organizations participating in the funds, names of employers and amounts contributed by each, names of insurers if any, a statement by the insurance company giving a full account of amounts paid for insurance, names of persons receiving brokerages, administrative fees, salaries, or benefits under such trust funds.

Proponents of this plan point out that a 100% accounting of all welfare fund operations is required.

### Michigan Local Boards Elect

Three Michigan associations have elected officers. Ross K. Bower is president of Ypsilanti Assn. of Insurance Agents; Harry Blair, vice-president, and Robert Bower, secretary-treasurer.

At Dearborn, A. N. Cales is president; Donald Hughes, vice-president, and Robert S. Lapham, secretary-treasurer.

New officers of the Battle Creek association are F. H. Lindroth, president; Harry G. Conway, vice-president; Edward Baum, secretary, and Kenneth Horton, treasurer.

### Represents Continental 50 Years

M. C. Sloan, agent at Tryon, Okla., was honored for 50 years' representation of Continental of the America Fore group at a luncheon, sponsored by field men, at Cushing. Mr. Sloan was presented a scroll and a letter from President F. A. Christensen of Continental.

T. Ray Phillips, P. J. Slater, C. W. Bean and A. D. Sills, all field men for Continental in Oklahoma, attended. Mr. Sloan's son, Gerald, and Rosco Pancoast, agent at Cushing, also were present.

Frank C. Colridge, manager-secretary of the Pacific Board, addressed the first meeting of the season of Fire Underwriter's Forum of San Francisco on 'When Will Rate Reductions End?'

**Turnpike Insurance  
Becomes Issue in Ohio  
Gubernatorial Race**

COLUMBUS, O.—Insurance placed in connection with the turnpike being constructed across northern Ohio is looming large as a factor in the state's gubernatorial campaign. James A. Rhodes, state auditor and Republican candidate for governor has challenged his opponent, Gov. Frank J. Lausche, and Turnpike Chairman James W. Shocknessy, a member of the law firm of Shocknessy, Summers and Denton, to explain publicly the representation of the law firm in the placing of \$47,000,000, worth of insurance on the turnpike. Rhodes has asked Shocknessy to "authorize and direct Martindale-Hubbell to tell the full story" of the law firm's directory listing as special counsel for the U.S.F.&G. and the Standard Accident Insurance Co. Rhodes also has asked Shocknessy to explain why only a fourth attorney, former State Senator Howard M. Metzenbaum, of Cleveland, was listed in the Martindale-Hubbell directory as an associate of the law firm.

Several days ago Shocknessy denied that he was a partner in the law firm, but said he was an associate. He produced letters from the insurance companies stating that the law firm did not represent them.

The auditor also has asked Shocknessy to explain his denials despite "this year's listing by the authoritative Dun & Bradstreet which shows him to be a partner in the firm of Shocknessy, Summers & Denton." Rhodes also asked about the payment of a commission expense check of \$12,362 to the law firm.

The Martindale-Hubbell directory, certified by the ABA as reputable, carries the firm name of Shocknessy, Summers & Denton as representing U.S.F.&G. and Standard Accident as special counsel for the years, 1951, 1952, 1953 and 1954.

**Enters Casualty Field**

Progressive Fire of Atlanta has entered the casualty field and has appointed Mitchell Gwinn as casualty manager. He has been agency superintendent with Cowan & Mahoney, managers of Atlanta.

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## FTC Complaints Filed Against 17 A&H Insurers

(CONTINUED FROM PAGE 1)  
 Mutual Benefit H.A., Omaha. Dec. 16. 1,2,3,5,7.  
 Prudence Life, Chicago. Dec. 9. 1,2,3,4,5.  
 Reserve Life, Dallas. Dec. 17. 1,2,3,-5,6,7.  
 Southern National Ins. Co., Little Rock. Dec. 15. 1,2,3,5.

- Travelers Health Assn., Omaha. Dec. 15. 1,2,5.
- United Ins. Co. of Chicago. Dec. 16. 1,2,4,6,7,8.
- Following is the FTC's classification of the eight types of practices it found to be objectionable.
- 1. Misrepresentation of policy termination provisions.
- 2. Misrepresentation of extent of coverage.
- 3. Misrepresentation of maximum

dollar limits.

- 4. Misrepresentation of beginning time of coverage.
- 5. Misrepresentation concerning health status of applicant.
- 6. Misrepresentation relating to sale of a plan.
- 7. Misrepresentation of benefits payable for life.
- 8. Misrepresentation concerning additional benefits.

Following is a direct quotation from the FTC announcement, which goes into some detail as to the eight types of practices. The descriptions of language and practices, it should be noted, are summaries designed to give a composite picture of the challenged practices. The fact that a certain number follows a company's name doesn't necessarily mean that it used the wording quoted or followed exactly the practices cited in the correspondingly numbered paragraph below.

- 1. Misrepresentation of policy termination provisions—typical claims are these: "No automatic termination age, no increased costs or reduced benefits after policy is issued", "you and your family are covered from 1 to 75." Actually, most of the policies sold in this field are renewable solely at the option of the company. Each new premium purchases insurance for a new term. The majority of these policies can be cancelled by the company at the end of any term for any reason. This is done by refusing to accept the premium payment. The complaints challenge advertisements which falsely represent or imply that a cancellable policy will remain in effect as long as the insured pays his premiums.

2. Misrepresentation of extent of coverage—the complaints challenge advertising claims which state that benefits will be paid in case of accident or sickness generally. A typical claim is: "It pays you up to \$15 a day for 100 hospital days—for each sickness or accident." There are in fact many cases of accident or sickness for which policies so represented do not provide payment. For example, many policies will not pay at all for losses due to certain causes such as nervous disorders, dental operations, venereal disease, pregnancy, childbirth, miscarriage, etc. They will not pay for losses due to other causes such as hernia, tuberculosis, heart disease, appendicitis, etc., unless originating at least six months after the policy date, and they will not pay for any loss due to sickness which can be traceable to conditions existing prior to the date of the policy.

3. Misrepresentation of maximum dollar limits—many of the companies state that claims up to a specified amount will be payable for certain medical, hospital and surgical services. For example: "We pay up to \$52 for each surgical operation", "surgical fees, up to \$400." These claims imply that if a person has a surgical operation, he will receive up to the amount specified, depending on the cost of the operation. Actually, many policies provide that the full amount is payable only for one or two comparatively rare operations. The maximum amount payable for the average operation is one-fourth of the specified amount, or even less.

4. Misrepresentation of the beginning time of coverage—certain companies represent that the coverage is effective at the date of issuance when actually, coverage for many sicknesses is delayed until the policy has been in effect for a specified period of time—for example, six months in cases of tuberculosis or heart disease.

5. Misrepresentation concerning health status of applicant—certain companies state that no medical examination is required to obtain their policies. This implies full coverage without regard to the general health of the applicant when the policy is issued. What the advertisements do not disclose is that the policy does not cover any loss traceable to a condition in existence at the time policy was issued.

6. Misrepresentation relating to sale of a plan—representations of some of the companies imply that a great number of benefits can be obtained from the purchase of one policy for a few cents a day when actually several policies must be purchased at a higher cost to obtain all the listed benefits.

7. Misrepresentation of benefits as payable for life—some of the companies have made representations which imply that a specified income will be paid as long as the insured is disabled, even if for life. For example: "It pays you a regular monthly income up to \$200 when disabled by accident or sickness—even for life." As a matter of fact, such payments are payable for a limited period of time in cases of disability due to sickness or cases of partial disability due to accident. Only in cases of absolute total disability due solely to accidental bodily injury are the payments made as represented.

8. Misrepresentation concerning additional benefits—this category includes representations that certain benefits are payable in addition to other benefits when they are actually payable on a mutually exclusive basis.

Victor H. Nyborg, president of the Assn. of Better Business Bureaus said of the FTC complaints against the 17 A&H insurers. "It is evident that the federal government, through the Federal Trade Commission, believes that the public is not adequately protected under the insurance laws of states in which a company may do business. This may come as a shock to some people but it must be obvious to all concerned that if it is proved that the public is not adequately protected against trickery or fraud under state laws or by the voluntary efforts of the companies themselves some other means of protection for the public as well as legitimate competition inevitably must be invoked."

Of the FTC charges, Bankers Life & Casualty of Chicago said: "There is a constant problem of getting the public to understand both the benefits and the limitations of all forms of insurance. The one purpose we feel sure the federal government, state governments and the insurance companies have in common is to serve and protect the public interest."

"We do not yet know whether this FTC matter is a clarifying move or a jurisdictional question between the state and federal regulatory bodies. Nor can we speak for the industry. But this much we are sure of—we will keep our responsibility to our policyholders as the sole guide to our own action."

The Joint Committee on Health Insurance made this statement:

"The A&H business has cooperated fully with the Federal Trade Commission to aid the commission in its inquiry into the advertising of companies issuing A&H. Nearly 900 companies are now engaged in this increasingly important area of individual and family protection. The companies voluntarily submitted their advertising literature to the commission for its examination and suggestions."

"The complaints filed by the commission are not a definite finding or

When You're "Figuring" Things Up . . .

**Remember You Can**  
**+ Add OUR KNOW-HOW**  
**X Multiply OUR SERVICE**  
**- Subtract YOUR WORRY**  
**= It All Equals GOOD BUSINESS**



**BITUMINOUS CASUALTY CORPORATION**

ROCK ISLAND, ILLINOIS

Specializing  
IN WORKMEN'S COMPENSATION AND ALL LINES  
OF LIABILITY COVERAGE

THERE'S NO STANDARD HIGHER THAN . . .

# COMMERCIAL STANDARD

A multiple line "A" rated company  
CAPITAL AND \$3,500,000  
SURPLUS OVER

# COMMERCIAL STANDARD

INSURANCE COMPANY

FORT WORTH, TEXAS

"30 YEARS OF

PROGRESSIVE DEVELOPMENT"



ruling that the advertising in question actually violates the provisions of the Federal Trade Commission Act, nor does the filing of these complaints imply that the relatively few companies concerned are averse to changing their advertising to remove Federal Trade Commission objections.

"The complaints, of course, do not constitute a criticism of the advertising literature of the business as a whole nor should they be interpreted as criticism of A&H contracts issued by any of the companies. The A&H business recognizes its responsibilities in helping the public to meet the cost of maintaining high standards of health care. It now provides hospital expense insurance for 57 million people; surgical expense insurance for 60 million people and protection against loss of wages as a result of sickness or accident for 40 million people. The growing public acceptance of A&H is demonstrated by the fact that the amount in force has quadrupled during the past 10 years and has more than doubled in the past three years.

"The business believes it should further intensify its effort to increase A&H protection for a steadily growing portion of the insurable public. Advertising is one of the most important methods through which still further widespread distribution of this form of insurance will be accomplished. The business is making every effort to have advertising conform to the highest standards. It desires to cooperate with the state insurance commissioners and the Federal Trade Commission toward this end.

"The advertising codes recently established by the A&H company organizations provide advertising ethics and practices that reflect clearly the desire of their members to follow the highest standards. Compliance with the codes should assure advertising that meets those standards."

Statement of Phillip E. Horan, general counsel, Mutual Benefit Health & Accident Association:

"Inclusion of the name of Mutual of Omaha in the list issued by the Federal Trade Commission indicates to us that the commission has been ill-advised. For our company is the only one on the list which is licensed in every one of the 48 states and the District of Columbia, and is consistently examined, supervised and approved by the insurance commissioners of all of these states.

"It appears to us that a conflict has arisen as to whether we are to be supervised by the individual state insurance commissions located in each of the states in which we do business, or by the Federal Trade Commission in Washington. Undoubtedly this will be a legal question which the courts will have to ultimately determine.

"Under the supervision of the state insurance commissions, Mutual of Omaha has grown to be the largest exclusive health and accident company in the world. Also, it has achieved an unusual record of public service reflecting in the fact that we provide more benefits for our policyholders and maintain a lower underwriting expense ratio than the average of all other major companies in the U. S. writing individual business.

"We have never in our history had any conflict with the Federal Trade Commission over our advertising, and we think it was a mistake for the commission to issue a public release stating technical and other objections to our operation without consulting first with the state insurance commissions under which we have operated our business

during all of our 44 years of insurance services.

"We want to get along with all public boards, and we will naturally meet all supervisory requirements made of us."

## One Tex. Insurer Bites The Dust; State Seeks Charter Revocation of 2nd

Mid-Continent County Mutual Fire of Houston has been put into receivership by District Judge Jack Roberts of Austin. This makes the 14th Texas insurance firm to fail in the past 22 months. The attorney general's office has said a receiver will liquidate Mid-Continent's assets for the benefit of claimants, credits and policyholders.

The receivership action which was initiated by the attorney general's office at the request of the board of commissioners identified A. B. Lewis as its president and general manager and the company as a Houston firm. Mr. Lewis, stated he was not an officer of Mid-Continent, although he and two friends had at one time tried to take it over, but failed to do so.

According to Assistant Attorney General Rudy Rice, who handled the suit, the company which had been operating since about 1949 was previously located in San Antonio, had changed hands once or twice and Mr. Lewis took it over in August of 1943.

Mr. Lewis stated that while his group at two occasions proposed officers for the firm, the commissioners would not approve of the ownership transfer because of some claim against the old owners.

Alleged in the attorney general's suit was that the company was insolvent, did not obtain proper licenses for its agents and solicitors and as of last month had a \$29,792 surplus deficit. Also alleged was that officers and directors had mishandled company assets. Mr. Rice also stated the company had around \$200,000 of insurance in force, most of it in Harris county.

In the meantime, the board of commissioners has ordered officers of Century Lloyds, Houston casualty insurance firm, to appear before it on Nov. 1 to show why Century's charter should not be revoked. Garland A. Smith, chairman of the board of commissioners, stated that the company is insolvent. The order to show cause cites a surplus deficit of \$166,861.

Identified as the attorney-in-fact for the firm was Warren P. Castle of Hous-

ton, with associate attorneys-in-fact identified as Warren P. Castle, Jr., Henry Schneider, James E. Winborn and Ben B. High.

High was reported as an organizer of Century Lloyds and president of the now defunct Commercial Security Ins. Co., the fire and casualty company which was declared bankrupt by the state last July. Brought out in the Commercial Security suit was that the stock company was organized to take over Century Lloyds.

North Carolina has a standard fire policy law which sets forth what the contents of a fire policy should be. The permissible variations allowed by the statute are not sufficient to cover the policies in question.

Pertaining to the EMPIRO application, Mr. Gold said that since the policies were not approved in the state, he could grant no authority for rate making on them to any organization.

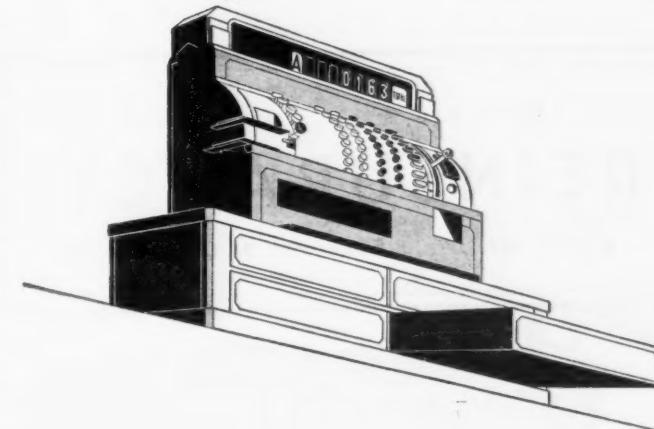
## Beiser with Guarantee Agency of Springfield

SPRINGFIELD, O. Donald H. Beiser, who has been southern Ohio field representative for Lumbermen's Mutual of Mansfield with headquarters at Hamilton, has joined Guarantee Mutual agency here. He will take over the duties of the late R. H. Swisher, vice-president of the agency and a leader in mutual agency circles, who died last spring.

### Byrnes Named Special in Oregon

PORLAND—John M. Byrnes has been named special agent for the American Home general agency in Oregon. Mr. Byrnes has been special agent with several other companies and was with Oregon Fire Rating Bureau.

# When Merchants are your clients...



... you can serve them better with  
the multiple line facilities of the  
National . . . whether it be Business  
Interruption Insurance, Comprehensive  
Liability or a Fidelity Bond.

## NATIONAL OF HARTFORD GROUP

Fire • Marine • Casualty



Western Department, Chicago  
Pacific Department, San Francisco  
Canadian Department, Toronto  
Metropolitan Department, New York

NATIONAL FIRE INSURANCE COMPANY OF HARTFORD  
MECHANICS AND TRADERS INSURANCE COMPANY  
FRANKLIN NATIONAL INSURANCE COMPANY OF NEW YORK  
TRANSCONTINENTAL INSURANCE COMPANY  
UNITED NATIONAL INDEMNITY COMPANY  
Executive and Administrative Offices: Hartford 15, Connecticut



October 21, 1954

**The NATIONAL UNDERWRITER**

33

**Brodsky Tells NYC  
CPCUs About Bonding**

Thirty-two men and women received their designations as CPCUs at a meeting of the New York chapter of CPCU in New York City. Dean Harry J. Loman of the American Institute conferred the designations, and John C. Brodsky, vice-president of America Fore, discussed bonds.

Mr. Brodsky's talk covered the main aspects of underwriting surety bonds, and he pointed out that many of these, which attempt to guarantee human behavior, are subject to perils which can never be foreseen. He cited the bank employee in Staten Island who absconded with \$83,000 of his bank's money.

Another banker, listening to a talk on surety bonds, asked how long defaults could remain undetected. He had some knowledge of the subject himself, for he had been stealing for seven years and continued for two more before his stock market speculations came to light. These, Mr. Brodsky said, are samples of variety in surety underwriting.

An increasingly common type of theft is that of the man who turns his loot over to others, he said. One girl set her boy friend up in business by

altering her employer's books a bit. Another clerk borrowed from the till to pay his doctor's bill.

The time aspect of bonding and insurance generally is most important, particularly in underwriting performance bonds. Once the obligation is assumed, whether it be for a term of one year, three years, seven years, or even without term, the surety remains responsible, he noted.

**New Ark. Adjustment Firm**

Eugene J. Williams has opened a new independent adjusting office at Fort Smith, Ark., under the title Williams Adjustment Co. The new firm will handle all lines of fire and casualty.

**San Antonio CPCU Chapter Elects**

Evans Fitch, Fitch agency, has been elected president of the newly-organized San Antonio CPCU chapter. Other officers named are Charles F. Nichols, Nichols Adjustment Service, vice-president, and Everett C. De Wolfe, Home, secretary-treasurer.

**National Fire Director**

Albert J. Hettinger Jr., senior partner of Lazard Freres & Co., New York, was elected a director of National Fire of Hartford. He succeeds John H. Buck, Hartford attorney, who resigned.

**Insurers Grow Sober as  
Carol Losses Rise**

(CONTINUED FROM PAGE 7)

In addition, Long Island, eastern Connecticut, New Hampshire, Vermont, and (to some extent) New Jersey, also were affected. What the total number of losses are in those areas is a question, along with the average payment, but the items would be large enough in both cases to put the range of the total dollar effect on insurers at \$100 million to \$150 million. Few in the business now argue that the two storms will cost less than \$100 million.

Catastrophe reinsurance covers naturally have been hit pretty generally, though not as hard as in 1950 when retentions by the primary insurers were considerably lower. The cost of such covers also went up after 1950, and while insurers of a size below the giants have had to have it, the effect of the higher retentions and greater cost tends to force the primary insurer to pay more of its own loss in the year it occurs, as here.

There have been some serious if not spectacular hail storms during the year and these have added to the cost of catastrophe cover. The mutuals'

catastrophe covers were hit hard, along with the factory mutuals' catastrophe pool.

Reinsurance arrangements in 1950, because the storm occurred in late November, were completed. Carol occurred ahead of the time when such negotiations ordinarily take place. All catastrophe covers placed in London are negotiated every year, it is said, most of them in the fall months. In the U.S. market it has been the practice to write continuous contracts with notice clauses.

Among the things that are apt to develop out of Carol are a call for higher extended coverage rates, elimination of TV aerial coverage, or a substantial charge for it, and a tighter, more expensive market for catastrophe covers, a market that already was pretty tight.

The storm has extended the adjusters, who are really going through a rough period. General Adjustment Bureau has 839 extra, outside adjusters and inspectors in the New England area in addition to 250 plus stenographers.

Walton & Co., a general insurance agency in St. Louis, has changed its name to *Gateway Underwriters* agency.

**DIRECTORY OF RESPONSIBLE**

# A INDEPENDENT ADJUSTERS A

**CALIFORNIA**

**HILL-HILLMAN & CO.**  
INSURANCE ADJUSTERS  
SOUTHERN CALIFORNIA

SAN BERNARDINO, 456 D ST. PH. 7821  
RIVERSIDE, MISSION INN, PH. 1-2675  
LOS ANGELES, 548 SO. SPRING, PH. MI. 1444

**ILLINOIS (Cont.)**

**THOMAS T. NORTH, INC.**  
Adjusters All Lines  
Phone HARRISON 7-3230  
175 W. Jackson Blvd., Chicago 4

**MINNESOTA**

**INSURANCE CLAIM SERVICE  
EVERY DAY - EVERYWHERE  
IN MINNESOTA**

ARTHUR J. TAYLOR CO.  
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MINNEAPOLIS 2, MINNESOTA

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**LOVELL & COMPANY**  
Automobile—Casualty  
Inland Marine—Aviation  
Williamson Building  
Cleveland 14, Ohio  
Phone Main 1-5882

**FLORIDA**

**LEHNHARD-BURGESS  
CORPORATION**

**MIAMI**  
Adjusters for all lines  
Phone 9-4708 2828 Biscayne Blvd.

**J. L. FOSTER & R. K. FOSTER**  
Insurance Adjusters  
First National Bank Building  
Springfield, Illinois  
Fire Inland Marine Casualty

**CONSOLIDATED  
ADJUSTMENT COMPANY**  
Home Office  
5th & Capitol Ave., Phone 2-6833  
Springfield, Illinois  
ALL CASUALTY LINES

**the OLOFSON CO.**

claim adjusters  
Serving Minnesota since 1940  
Plymouth Bldg.—Minneapolis  
24 hour phone—Capitol 4-0066  
Branches  
Empire Bank Bldg.—St. Paul  
1st Natl. Bank Bldg.—Rochester

**THOMAS D. GEMERCHAK**

Insurance Adjustments  
All Lines  
416 Citizens Bldg., Cleveland 14, Ohio  
Phones Off. Su. 1-2668 — Res. Fa. 1-9442

**ILLINOIS**

**JAMES J. HERMANN CO.**  
175 W. Jackson, Chicago  
HARRISON 7-9381  
Aurora, Ill.—Merchants Nat'l.  
Bank Bldg.—Aurora 6-5125  
Waukegan, Ill.—228 N. Genesee St.  
M. Alastor 2-0936  
Joliet, Ill.—Morris Bldg.  
Joliet 6-3611

**JOHN H. HUNT & CO.**  
330 So. Wells St. Chicago 6, Ill.  
Investigators and Adjusters  
ALL CASUALTY LINES  
Serving Chicago & vicinity, Waukegan,  
Ill., Gary, Hammond and Northwestern Ind.  
24 Hour Service  
Phone HARRISON 7-0153 Night—CORNELIA 7-0182

**MICHIGAN**

**MICHIGAN CLAIM SERVICE, INC.**  
105 Hollister Bldg. — Lansing, Michigan  
Phone 59475  
Branches  
Battle Creek Flint Grand Rapids Lansing Monroe Muskegon  
Benton Harbor Kalamazoo Saginaw Pontiac  
Detroit 24 hour switchboard for entire state  
Phone—Lansing—59475

**NEVADA**

**R. L. GRESHAM & CO.**  
General Insurance Adjusters  
Phones 4733-6164  
410 E. Carson Avenue  
LAS VEGAS, NEVADA  
Servicing Southern Nevada—Southwestern  
Utah—Kingman, Arizona  
and Needles, California.

**NEW YORK**

**TOPLIS & HARDING  
WAGNER & GLIDDEN, INC.**  
Insurance Adjustments  
All Lines  
Chicago Boston New York  
Los Angeles Detroit

**OHIO**

**O. R. BALL, INC.**  
Fire — Inland Marine —  
Allied Lines  
1542 Hanna Building  
Cleveland 15, Ohio  
Phone: SUperior 1-7850

**WISCONSIN**

**WALTER MELCHIOR & CO.**  
Casualty Adjusters  
Eastern & Central Wisconsin  
Phone 3-8810  
Box 192A  
Legal personnel only.  
APPLETON, WISCONSIN

Since 1920

**E. S. GARD & CO.**  
Chicagoland Casualty Claims  
175 W. Jackson Blvd. WAbash 2-8880-1

## Hurricane Hazel May Cost Insurers \$75 Million

(CONTINUED FROM PAGE 1)  
ber of losses that yet remain to be adjusted out of the eastern seaboard triumvirate of hurricanes.

National Board has assigned catastrophe No. 56 to Hazel but because of the tremendous geographic spread of losses will establish no supervisory offices, as it did in New England for Carol and Edna. However, Eastern Underwriters Assn. has alerted field clubs in its territory—Maryland, Delaware, Pennsylvania, New Jersey and New York—and these clubs will get loss notices at once to agents under prearranged plans, will take care of publicity, etc.

South Carolina was hit hard, of course, at Myrtle Beach, and there will

be extensive losses to insurers in that area because of the substantial seasonal properties involved. However, this is the northeast corner of South Carolina. The hurricane hit between Myrtle Beach and Wilmington, N. C. and went northward through Virginia swinging toward the coast but for the most part its eye passed well to the west of coastal areas as it moved. A preliminary estimator places the number of losses in South Carolina, North Carolina and Virginia at 160,000 to 200,000. In the areas north of that, excluding Canada, very early estimates had the figure of 200,000 to 225,000. All estimates were subject to considerable modification as more reliable information develops.

Among the urban areas that were hard hit are Baltimore, with 6,000 losses; Salisbury, Md., with 10,000 losses; Wilmington, Del. with 20,000 losses; Philadelphia with 20,000; Newark with 16,000; Washington 8,000; Syracuse, 10,000; Morristown, N. J. 10,000; Harrisburg, Pa. 4,000; Hazelton, Pa., (which certainly must not have felt any close relationship to the hurricane) 10,000; Allentown, Pa. 8,000; Camden 6,000; Binghamton, N. Y. 6,000; Atlantic City 10,000; Wilkes-Barre, 6,000; Elmira N. Y. 5,000; Utica, N. Y. 2,000. Toronto was hard hit.

With substantially smaller claims, the companies may get some slight benefit from the \$50 EC deductible, though this will not amount to too much, according to observers. The deductible is optional in New York, New Jersey, Pennsylvania, Maryland, and Delaware. District of Columbia has no deductible. Pennsylvania now has a TV antenna exclusion, but this went into effect only recently.

One of the complicated problems with Carol was damage from rising

waters. This will not be the case with Hazel to nearly the same extent, though south of New York City there were excessively high tides. However, there will be some water damage because of heavy rains before, during and after the passing of the storm. This damage, of course, is covered under EC where that caused by rising waters is not, and will perhaps tend to build up the average loss from Hazel.

Underwriters are becoming highly sensitized to tree coverage, which is contained in the all physical loss form and in the broad dwelling form which went into effect in New York this fall. The latter provides 5% of the dwelling amount is applicable to trees subject to \$250 on any one tree and the all physical loss form covers tree damage. The tree damage is a result of Carol and Hazel has been extremely heavy.

Adjusters are flooded with claims caused by Hurricane Hazel's damaging blow at North Carolina and Commissioner Gold has called on companies and adjustment bureaus to send all available men to help process the claims. Commissioner Gold has waived license requirements so adjusters from other states can operate in North Carolina during the emergency. Deputy Commissioner Duncan has been assigned to coordinate work of the adjusters and is setting up a processing office in the hard-hit-Wilmington area.

No accurate estimate is yet available for the damage in North Carolina but it runs into many millions. Companies anticipate considerable difficulty in separating flood damage from wind damage, especially along the beaches hit by both.

Ocean Island, Holden's Beach, Long Beach, Kure Beach, Carolina Beach, Wrightsville Beach, Surf City and Topsail Beach bore the brunt of the storm in North Carolina but damage also is expected to run into millions at Atlantic Beach and Morehead City.

## WANT ADS

Rates—\$18 per inch per insertion—1 inch minimum. Limit—40 words per inch. Deadline 5 P. M. Friday in Chicago office—175 W. Jackson Blvd. Individuals placing ads are requested to make payment in advance.

THE NATIONAL UNDERWRITER

### CASUALTY FIELDMAN

Top quality supervisory fieldman for California-Sacramento Valley territory—is needed by a well-known Bureau Company, a member of a large multiple line group. We prefer a man of proven ability in field work, but will consider someone without production experience provided he has a sound technical knowledge and background.

We of course offer the usual company benefits, such as a pension plan, group insurance, and so forth, but most important are the future opportunities which we can offer a man who can meet our requirements.

(Our employees know of this advertisement)  
Address B-50, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### AVAILABLE

Multiple Line Fieldman, Underwriter, Engineer, middle thirties, 15 years experience, embracing fire, marine, casualty, surety, A&H, desires return to midwest or south from eastern home office position. Some Claims experience. Write B-46, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### WANTED

Rated stock company as carrier for financed auto physical damage coverage in D. C., Md., and Va. on agency or retrospective basis. Current volume at rate of \$100,000 annually with strong growth potential. Business presently brokered. Write Box B-40, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### WANTED

Finance and substandard automobile physical damage business at 150% of manual on non-admitted basis. Facilities available most states through either rated stock company or Lloyds. Prompt binding and claims service. Harris & Webster General Agency, 123 S. Main Street, Mullins, South Carolina. Phone: 7551.

### INSURANCE EXECUTIVE

Energetic with top home office and agency experience. Familiar with management problems, reinsurance, comptroller duties, underwriting, accounting, production. Consultant and staff work. Desire connection in branch or home office—casualty, life, fire. Age 36. Write to B-51, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### WANTED

An assistant to the manager to supervise office underwriting and claims in a fast-growing mutual insurance company writing multiple lines. Address B-36, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### SPECIAL AGENT ALABAMA—TENNESSEE

Multiple Line Mutual Company has opening for young man 30 to 40 years of age with field or underwriting experience. Write to B-49, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### GROUP A & H MAN AVAILABLE

Age 44. 10 years experience in Group A & H. Good public relations man, experienced in installation, service and sales. Has wide acquaintance among agencies in Indiana and Illinois. Box B-41, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### FIELDMAN—ST. LOUIS AND ST. LOUIS COUNTY

We have an opening for a capable, aggressive, experienced man with fire and casualty background. We are a multiple line, nationally known company. This is an opportunity to become associated with a top-rated, agency company with progressive policies, attractive employee benefits with an opportunity to advance on one's own merits. Age 30 to 45. Salary is open. It will pay you to investigate. Address Box B-47, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### MULTIPLE LINE SPECIAL AGENT

wanted by large independent company, for Milwaukee County territory and closely neighboring area. In reply give full detail re experience, salary, etc. Address B-37, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### MICHIGAN FIELD REPRESENTATIVE

Fast growing multiple line stock agency company operating nationally has opportunity for aggressive enthusiastic experienced man interested in becoming associated with a top rated company, exceptionally progressive with many outstanding employee benefits. It will pay you to investigate. Write B-27, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### CLAIMS EXECUTIVE

Growing company has a position for a man to become a corporate officer in charge of its claims operations. Must have had experience with a multiple line company in claims and legal work which included trial experience and adjusting. Must be between 30 and 40. Address B-48, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### AVAILABLE

**LIABILITY CLAIMS' MANAGER**  
Attorney, 47, 20 yrs. company casualty claim experience including H. O. supervision-management. Write B-43, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### WANTED

FIRE UNDERWRITER also SPECIAL AGENT. Exceptionally fine opportunity for both to grow with capital stock fire-casualty company operating in Texas. Write Confidentially. Melvin D. George, Executive Vice-President, Houston National Insurance Company, 3030 Louisiana, Houston, Texas.

### MULTIPLE LINE SPECIAL AGENT

for Northern Illinois. Exclusive of Chicago suburban area. Excellent opportunity for hard worker. Address B-53, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

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### EXCELLENT OPPORTUNITY

#### In Insurance Advertising and Sales Promotion

We are looking for a man with experience in this specialized field. He should have a basic knowledge of fire and casualty coverages and the ability to write simple, straightforward copy. His background should include either field work or journalism. His assignments will cover a wide range of projects—from direct mail folders to annual reports. While he need not be an idea factory he should have imagination and the capacity for creative thinking. He will probably be in his late twenties or early thirties.

He will start as Assistant to the Sale Promotion Manager of a leading multiple line stock casualty group located in the middlewest. His salary will be commensurate with his experience and ability. It's an interesting job with an excellent future for the right man.

We are anxious to fill this position as soon as possible. If you are interested please tell us about yourself and your experience in this field. You may rest assured that your letter will be treated as confidential.

Address Box B-52, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Illinois.

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Underwriters are becoming highly sensitized to tree coverage, which is contained in the all physical loss form and in the broad dwelling form which went into effect in New York this fall. The latter provides 5% of the dwelling amount is applicable to trees subject to \$250 on any one tree and the all physical loss form covers tree damage. The tree damage is a result of Carol and Hazel has been extremely heavy.

Adjusters are flooded with claims caused by Hurricane Hazel's damaging blow at North Carolina and Commissioner Gold has called on companies and adjustment bureaus to send all available men to help process the claims. Commissioner Gold has waived license requirements so adjusters from other states can operate in North Carolina during the emergency. Deputy Commissioner Duncan has been assigned to coordinate work of the adjusters and is setting up a processing office in the hard-hit-Wilmington area.

No accurate estimate is yet available for the damage in North Carolina but it runs into many millions. Companies anticipate considerable difficulty in separating flood damage from wind damage, especially along the beaches hit by both.

Ocean Island, Holden's Beach, Long Beach, Kure Beach, Carolina Beach, Wrightsville Beach, Surf City and Topsail Beach bore the brunt of the storm in North Carolina but damage also is expected to run into millions at Atlantic Beach and Morehead City.

### NYFIRO Challenges Rate on Dwellings by Allstate

(CONTINUED FROM PAGE 1) that "wildcatting" of this kind would produce chaos, disrupt a system built up over decades, and finally lead to insolvencies and unpaid claims of policyholders.

It also contends that the companies failed to comply with the provisions of the law that apply to companies wishing to deviate from the rates filed as the result of continuous NYFIRO research and approved by the insurance department.

It would cost at least \$20 million to reproduce rating data in NYFIRO's integrated system of fire insurance rating, according to Mr. Stanley's affidavit which was filed with the petition. Annual cost of operation is more than \$2 million.

The petitioners also point out on behalf of NYFIRO that in accordance with law, substantial rate reductions were made effective Sept. 13. "These rate filings were approved by the department as reasonable and in conformity with the insurance law," it is stated. "Any filings at rate levels lower than the general average would provide inadequate rates."

A memorandum filed with the insurance department recounts that in 1948 an officer of North America in a Pennsylvania proceeding espoused as being in the public interest the same principle of quasi-public bureau rating they are now proposing in New York.

Powers Kaplan and Berger, New York attorneys, are counsel for NYFIRO, with Charles P. Butler as associate counsel.

**'Slow Cam to 48'**

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October 21, 1954

## 'Slow Down and Live' Campaign Is Extended to 48 States, Territories

The newly-formed National Conference of State Safety Coordinators, at its first meeting at Chicago, undertook to extend the 24-state "slow down and live" campaign of last summer to all the 48 states, and Hawaii, Alaska and Puerto Rico. William M. Greene, director of Connecticut State Safety Commission, is president of the conference.

Thomas N. Boate, manager of the accident prevention department of Assn. of Casualty & Surety Cos., declared at the meeting that the campaign had increased the awareness of motor vehicle licensing and enforcement officials to the need for close supervision of driver conduct, particularly with respect to speed control.

The first step to extend the campaign to the whole country was taken by the annual governors' conference at Lake George, N. Y. The 1955 campaign will embrace the same period as its predecessor, Memorial day to Labor day.

### Carson Sees Self Service Customer as Future Buyer

(CONTINUED FROM PAGE 15)

"Without any special knowledge or previous experience in the matter," he continued, "a layman may think that an insurance policy can be bought with the same ease and lack of discrimination as a railroad commutation ticket and, similarly, that there will be no question but that the insurance policy will remain in force for the period stated." This is not the case, Mr. Carson said, and he contrasted the letter of cancellation sent by the direct writer with the efforts that an agent will make to continue protection for his client.

"Without waiting to pick up disconsolate cancelled insured of direct writers, what opportunities come your way to demonstrate to those who are not yet your customers what it means to have an alert independent agent or broker giving service in time of need! Without in any way detracting from the possible good intentions of salaried salesmen, is it in the nature of things that they should be expected to exercise their own initiative to the same extent as an independent businessman whose livelihood depends absolutely on his own personal efforts and personal reputation?"

Giving examples of an indolent agent as contrasted with one who understands his business and works at it, Mr. Carson showed why he had given up for good any idea of self service as applying to his personal insurance program.

"Now let us admit that there are many people who must rely on many self service for many of their purchases because of their financial circum-

stances. Nevertheless, they should still be regarded as future prospects."

The reason for this, Mr. Carson said, is the increase in number of families who have increasing amounts of disposable income. He cited an article entitled, "The Consumer Markets 1954-55" in the August issue of *Fortune Magazine*: "Over the last 25 years family units having an income of \$4,000 to \$7,500, on the basis of the value of the dollar in 1953, increased 230%, or more than seven times as fast as the increase in our total population. Looking to the future, what is even more important is that, based on projections covering the next five years, "the number of families with more than \$5,000 (in 1953 dollars) will increase by 50% and they will account for 60% of all U. S. consumer expenditures." Chairman Arthur F. Burns of President Eisenhower's council of economic advisers, anticipates that the annual level of our gross national product can rise during the same period from \$360 billion, which it is currently, to \$440 billion in 1959, or an increase of 22%."

"We have reached a new level of normality," Mr. Carson said, "but this does not mean that competitors for goods or services are in any degree going to get a free ride. At the same time it means most definitely that we will have with us for the long pull a buying public that has the dollars available to satisfy its needs, its wants and its ambitions and with a well-nigh insatiable urge to achieve all that is conceived as being involved in a higher standard of living. It is for us in the insurance business to stimulate in the minds of the buying public an ambition for adequate high-caliber insurance and for a quality of service which will make them willing to pay a reasonable price for it."

### Minnehma Co. to Enter California

LOS ANGELES—Minnehma Ins. Co. of Oklahoma has applied for permission to handle fire, burglary and automobile insurance in California. S. E. Cavanaugh has been named agent.

The company, owned by Spartan Aircraft Co., lists capital at \$35,000; surplus, \$626,688 and liability and reserve, \$1,957,857.

### N.Y.C. Pond Hears Nest Report

Floyd C. Pickett of Home, past m.l.g. of New York City Pond, reported on the grand nest meeting at the first fall meeting of the pond. Other speakers were Harvie D. Manss of Hartford Fire, m.l.g. of the newly established Empire State Pond at Syracuse, and Henry C. Roberts, author and editor. Robert C. Meharter, son of Samuel Meharter, past m.l.g., was admitted to membership.

### Russell Agency Incorporates

E. A. Russell, Cincinnati, who represents Employers group as a general agent, has incorporated. The firm will be known as Edward A. Russell, Inc., with Mr. Russell as president, H. N. Ragland, Jr., vice-president, C. H. Nieb, secretary, E. J. Frede, treasurer, and A. J. O'Brien, assistant secretary.



## Time NOW to Campaign for Public Official Bonds

Public Official Bonds are highly desirable business for the agent. Little or no servicing is required. Usually, there is no collection problem, the premium being paid out of public funds by the public body.

We have gone all out to make this business easy for the agent to handle. Complete rates in all territories are on a single page of our Simplified Bond Rate Card. Red tape has been cut by waiving applications for bonds of \$5,000 or less. These may be ordered by order blank, letter or postcard.

Your prospects are all the candidates in your locality. And now—before Election Day—is the time to contact them.

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## Cotton States Mutual Refils in Georgia

Following revocation by the Georgia insurance department of the filing made by Cotton States Mutual to allow a 10% discount on new business and 5% on renewal to members of the farm bureau group in that state, Cotton States has filed again and the coverage has been approved.

On the fire policy the new coverage does not contain 10% off premises

cover and does contain a \$50 deductible on wind and \$25 on lightning. The auto policy does not cover the car when "rented or leased," theft of any part of the car must be by reason of theft of the entire car and there is no coverage when operated by a driver under legal driving age.

**Youngstown Insurance Women's Study Group** has been organized and has elected Mrs. Mary Cropley as chairman and Mrs. Mary Lou Block as program chairman. Ray T. Wagner of America Fore group led the first meeting in a discussion of new fire coverages.

COMMENCED BUSINESS 1924

## The Manhattan Pays Tribute On Its Thirtieth Anniversary

Yes, we at The Manhattan Fire & Marine pay heartfelt tribute this year — and every year — to the thousands of local agents who are responsible for our steady growth since 1924.

We are proud of the progress we have made together. We hope to continue to share that pride for many anniversaries to come.

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FIRE & MARINE INSURANCE COMPANY

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MORE AND MORE AGENTS AGREE: "MAKE MINE MANHATTAN"



## SCHROEDER HOTELS

HOTEL SCHROEDER .....	Milwaukee
HOTEL ASTOR .....	Milwaukee
HOTEL NORTHLAND .....	Green Bay
HOTEL LORAIN .....	Madison
HOTEL RETLAW .....	Fond du Lac
HOTEL CALUMET .....	Fond du Lac
HOTEL WAUSAU .....	Wausau
HOTEL DULUTH .....	Duluth, Minn.
HOTEL VINCENT .....	Benton Harbor, Mich.

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## 24 State Campaign Cuts

### Death Toll by 12.2%

Winding up the summer anti-speed campaign, the 24 states taking part in the "slow down and live" program, showed a 12.2% decline in traffic deaths. Highway fatalities throughout the region dropped from 4,856 in the summer of 1953, to 4,262. The program is carried out by northeastern and southern states safety coordinators' groups.

Greatest reduction was in Louisiana with a 40.1% drop. Other states ranged from a 27.3% decrease in Mississippi to a 9.9% increase in Maine.

In all, 15 states showed death rate reductions this year. They were Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, Virginia, Delaware, New Jersey, New York, Rhode Island and Vermont. Increases were shown in Arkansas, Kentucky, West Virginia, Connecticut, Maine, Maryland, Massachusetts and Pennsylvania. New Hampshire's record was the same as 1953.

## Transfers Surveying Work To U. S. Salvage Assn.

Board of Marine Underwriters of San Francisco is transferring its marine surveying functions on the Pacific Coast to United States Salvage Assn. of New York. In British Columbia the operations will be known as Marine Surveyors of Western Canada, division of U. S. Salvage Assn., and headquarters will be held at Vancouver under the direction of Captain F. L. Clarke, who has headed the board's office there.

The board will continue its general office in San Francisco and the survey functions will be carried out by the salvage association's new headquarters at 233 Sansome street.

## Court Allows Reformation Because Intent not Effected

(CONTINUED FROM PAGE 13)  
to reformation of the policies, the court noted that a mistake of the agent concurred in by insured is a mutual one affording a basis for reformation. It went on to state that there are many instances in its jurisdiction where policies have been reformed upon the application of the principle that the mistake of one party alone, not a mutual or common mistake, can be corrected by reformation. The court cited Warner Moore & Co. vs. Western Assurance where due to a mistake of the agent despite the agreement of the parties, a policy was written to cover the wrong building; Temple vs. Virginia Auto Mutual, where through the mistake of the agent the policy, as written, failed to cover the motor vehicles agreed on; Universal vs. Mouel, where through the mistake of the agent the owner of the property was stated to be the husband rather than the wife; Dickenson County Bank vs. Royal Exchange, where through the mistake of the agent a standard mortgage clause was omitted from the policy.

The court agreed that a high degree of proof is necessary to obtain affirmative relief in cases of this nature. The present court pointed out in Temple vs. Virginia Auto Mutual that "the party alleging a mistake in a written instrument must show by evidence which leaves no reasonable doubt on the mind of the court, not only of what the mistake consists, but the correction which should be made."

The court further noted that in the Bankers Fire case it was entirely unlikely that the insured who appreciated a need for protection, as was shown by

the amount of insurance they had taken out, would be satisfied with, or that an experienced agent would have written, a policy which covered only a portion of the premises, leaving completely unprotected a vital unit, one in which the steam for the operation of the plant was generated, and the very one in which a fire was most likely to occur.

## Safety Responsibility Law Chart Published

A revised chart analysis giving the latest information on the security type safety responsibility laws in 44 states, District of Columbia, has been published by Assn. of Casualty & Surety Cos. It indicates whether security only is required or whether security plus proof of financial responsibility for the future are necessary in the states and whether the driver only or both driver and owner are under the law. It also gives information required of insurance in effect and liability limits affording exemption, reciprocal provisions to accidents in other states, minimum amount of property damage to which the law applies, other exemptions and termination of the law's requirements.

The charts are available at 20 cents a copy from the editor of law publications of the association.

## Eradicate Smoke Odor in 24,000 Bushels of Wheat

Smoke Odor Control, a service of Airkem, Inc., which has been used successfully in removing smoke odor from buildings, was recently used on 24,000 bushels of wheat after fire gutted the quonset hut in which it was stored on a Kansas farm. The grain was of particularly fine quality, weighing about 62 pounds per bushel with a moisture content of .0905. After the treatment, the grain was shipped to market through regular channels and was passed by all inspectors who found no increase in moisture content and no bleach.

H. F. McFarland, adjuster of Farmers Alliance, McPherson, Kan., who insured the wheat, said if the smoke odor had not been removed, loss would have amounted to as high as 60 cents a bushel. Cost of the service to the insurer was less than 8 cents a bushel.

In the case of wheat, the treatment has been 100% effective only where it was possible to apply the odor counteractant properly and where proper airing could be effected after the application. The damaged wheat was removed to 10 bins in an elevator to be treated.

R. C. Russell, Airkem's Kansas representative, said that news of the damaged wheat spread so rapidly throughout the area that inspectors were on the lookout for it. He said their attitude was that it would have to be the cleanest wheat that ever went to market.

## Report on Wash. AR Plan

Washington assigned risk plan in the year ending July 1 had 20,308 assignments and renewals in the 222 subscribing companies. In the first annual report on a fiscal year basis, manager E. R. Haffner said 139 applications were rejected for cause, 2,052 were not taken by applicant, 6,699 renewals were not taken by applicant, 70 were rejected by the company. Insurers cancelled 234 policies and insured cancelled 1,879.

The Paul L. Ruehrmand agency of Richmond has named Norman W. Pedigo vice-president and E. Curtis Fleming as treasurer. Mr. Pedigo has been with Great American for the past four years as a special agent with headquarters in Atlanta. Mr. Fleming joined the agency in 1945.

# Randall New Ohio Agents President

## Ohio Agents Prepare for Big Push to Get Competitive WC

Much Optimism Over Knowledge Insurers Will Equal State Fund Rates

COLUMBUS—Ohio Assn. of Insurance Agents will put on its big push for enactment of a competitive workmen's compensation law in the next legislative session and hopes for a favorable result have never been higher. At the annual meeting of the association here, every speaker participating in the part of the program devoted to this subject offered new reasons why the chances for a private company bill are good.

Probably the most encouraging note was the report by Hugh K. Dawson of Cleveland, new Ohio vice-president, that the companies are prepared to write WC in Ohio at the same rates as the state fund, but with the added incentive of retrospective and experience rating. This would bring risks in the \$1,000 or higher premium class to a rate level lower than the fund's.

Mr. Dawson explained that at the last legislature employers were chilly to lukewarm to the idea of competitive WC. Their main reason for non-support was that they were convinced the insurers would charge them more, and the agents were unable to refute that idea. It was only a few weeks ago, Mr. Dawson said, that he received a letter from J. Dewey Dorsett, general manager of Assn. of Casualty & Surety Companies, saying the companies had studied the rate structure in Ohio and were willing initially to write at fund rates and would also give the experience rating benefits. Mr. Dorsett's letter gives to agents for the first time the feeling the companies want to write WC in Ohio, Fred H. Johnson of Columbus observed. Mr. Dawson presided over a panel on WC. Those taking part were Robert D. Falcomer of Toledo; T. M. Gray Sr., executive secretary of the Ohio association, and Mr. Johnson.

The competitive bill is nearly completed, and panel members explained that solid effort would get it through.



New top officers of Ohio Assn. of Insurance Agents, and outgoing president. From left, T. M. Gray, Sr., executive secretary; E. R. Randall, of Greenville, the new president; Hugh K. Dawson, Cleveland, new vice-president, and Leland T. Powell of Mansfield, the retiring president.

## Breakfast of Rural Agents Draws 100 Plus to Open Ohio Convention

COLUMBUS—More than 100 persons turned out for the breakfast meeting Monday morning of the rural and small lines agents committee of Ohio Assn. of Insurance Agents. This is a pre-convention feature and one that has become an integral part of the annual convention. The audience was interested throughout, very few taking advantage of a break in the middle of the proceedings to turn their attention elsewhere. E. B. Hendrixon of Batavia, the chairman, kept the session moving and saw to it that the emphasis was focused on the agent side of topics under discussion. After brief reports from the sub-committees and some to-the-point remarks by the two speakers, there was a question and answer panel covering all phases of rural underwriting.

J. E. Cryan, assistant farm department manager of America Fore and president of Farm Underwriters Assn., and H. G. Bannerman, superintendent of the farm department of Hartford Fire, offered their comments on the farm picture, Mr. Cryan saying he sees a bright future for the agents in this line. American farm production is at an all time high this year, he said, with livestock production at a record and crops at the fourth highest level in

history. There is a lot of business to be had because high production means high values, more farm sales, more purchases by the farmer of insurable items. The average farm fire premium exceeds \$150 and many hundreds of agents write \$150,000 to \$200,000 to farm business alone.

The values of farm property call for the service of a local agent, Mr. Cryan emphasized. The farmer simply cannot insure what constitutes his life work and savings in the same manner in which he would buy a package of cigarettes; an expert's advice is called for, and in Ohio, he added, the expert, the agent, has at hand the best farm form to be had anywhere.

Mr. Bannerman seconded the advice of caution. He mentioned the importance of underwriting in farm business. In Ohio the fire loss ratio is poor and isn't improving noticeably. The insurers have learned farm business is "no game for boys." A company doing much in the farm field has to have a farm department, Mr. Bannerman said, "or you're gone."

In his opening remarks, Mr. Hendrixon said a good way to meet local farm mutual competition is to get photostats of their policies and have the insured or prospect read them.

(CONTINUED ON PAGE 39)

## Hugh Dawson Moves Into Line at Columbus Meeting

Resolution Says Agents Sympathetic With ML, But Asks Guarantees

By JOHN C. BURRIDGE

COLUMBUS—The annual meeting of Ohio Assn. of Insurance agents here this week offered the 700 registrants a packed two and half days of sessions covering the range from rural agent problems to activities of the National association. There was no atmosphere of excitement over any particular issue, unless it was the determination shown to achieve competitive workman's compensation insurance. The emphasis was on the future and what the agents might do to insure not only continuance but improvement of their position.

E. R. Randall of Greenville was elected the new Ohio association president, succeeding Leland T. Power of Mansfield. Hugh K. Dawson of Cleveland was elevated to vice-president and steps into line for the presidency in 1955. Three new district trustees were named—Robert L. Cook, Martins Ferry, second district; C. F. Castanien, Upper Sandusky, fifth; and Ivan Steineler Jr., Wooster, eighth.

Mr. Randall has been president of Darke County Assn. of Insurance Agents and has served as trustee of the fourth district for five years. Before becoming an agent in 1929 he was an adjuster for Travelers at Dayton. He has also served as mayor of Greenville for eight years.

Mr. Dawson who has been a trustee for three years, is chairman of the Ohio legislative committee. He is a past president of the Cleveland board.

Resolutions presented at the business meeting Wednesday morning included the following on multiple line: "Having practiced multiple line protection for many years the agents of Ohio are sympathetic with our partners", the companies, desire for multiple underwriting powers legislation. This association must insist that any multiple powers bill contain adequate

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safeguards for the public, including strong agents' licensing standards."

Other resolutions presented urged adequate funds for the insurance department; advocated adoption of a competitive WC bill; suggested the companies file unsatisfied judgment insurance in Ohio; commended the reciprocal licensing law; asked agency insurers to give "immediate consideration to supporting a public relations program promoting a public understanding of the superior services offered by the agency system; strongly urged that NAUA and the National Bureau be combined; requested removal from the valued policy law of the exclusion of foundations in settling fire losses; and protested "the action of some professed agency companies in establishing direct billing, and perpetual policies." This last one added: "We are gravely disturbed by the ultra selective underwriting practices used by some companies in the hope of securing a portfolio of preferred risks only. We believe this practice is not in the public interest and results in driving many Ohio citizens into the assigned risk plan who are legitimately entitled to insurance at a properly established rate through conventional channels."

Officially, the convention got started with a luncheon Monday at which W. Harper Annat, Ohio director of commerce, gave a talk. In the afternoon there was a "workshop" session describing the plans for insurance education in Ohio and a simultaneous meeting of the Young Agents Conference.

Mr. Randall presided over the luncheon and did an excellent job of keeping the speakers within their time limits. He cautioned everyone who came to the microphone to make it short and sweet, and as a result the meeting broke up ten minutes early after getting off to a late start.

Presentation of four achievement awards of the association was a feature of this session. These went to Dr. William B. Loban of the distributive education division of Ohio State University; R. W. Kapp, state agent of Phoenix of Hartford; Ralph M. Wilkoff, president of the Youngstown association, and Joseph Ray Jr., Columbus, chairman of the Young Agents Conference.

After John C. Glandon, president of the Columbus board, gave the welcome, Mr. Annat gave a brief talk in which he mentioned current litigation involving insurance. Among the cases he discussed was the injunction preventing the superintendent from enforcing the Ohio reciprocal licensing law, and the Investors Diversified Services consent decree, about which he commented: "I wonder who will police this one."

The workshop session held well within its allotted time without trouble because one of the speakers had a conflict in engagements. Actually, this had the effect of making the whole program consist of Jack Butterick, assistant secretary of Michigan Assn. of Insurance Agents, who is an engaging platform personality.

John W. Hemphill, Painesville, an Ohio association trustee, acted as chairman, and before Mr. Butterick had his say there was a short description of the operation of insurance education workshops in Ohio by Charles Collins, educational director of the Ohio association. The first of these was completed recently at Ohio State University and another is due next week at Bowling Green.

The special session for young agents

Monday afternoon had the atmosphere of a political rally. Party lines were left pretty much nebulous, but T. M. Gray, secretary of the association, and Representative Chester of Ohio told the young insurance men how they could assure a receptive ear in future legislatures by getting to work in a party now. Supporting a candidate for a minor local office might not seem like much of a project now, Mr. Gray pointed out, but it is from candidates for minor offices that tomorrow's legislators will be selected.

Mr. Chester, who was the author of the bill requiring that representatives of reciprocals be licensed, demonstrated how insurance men contribute to the legislators' decision on a bill. Many legislators are assigned to committees about which they know very little, Mr. Chester said. In his own case, he found himself on the insurance committee without having had so much as the benefit of a course in insurance law.

Fortunately, he had good and valued friends among insurance men to whom he could turn for background and advice. It was only natural, he averred, that among those to whom he turned was an insurance man who had been his campaign manager.

The young agents session was under the chairmanship of J. H. Ray, Jr., Columbus. A two day conference of this group occurs annually at Granville and has attracted national attention because of its effective fostering of a nucleus of hard working members of the association for many years to come.

G. F. Avery, U. S. F. & G., Pittsburgh, was unable to appear for his scheduled talk at the young agents meeting.

As has been observed in a number of other state meetings this fall, the automobile session occupied less program time than in recent years. However, as was obvious at the panel, this does not mean agents feel automobile problems are licked but they do feel that these matters are pretty well defined.

R. M. Wilkoff, Youngstown, presided over the automobile session, an honor which is deservedly his because of his part in the now famous "Youngstown story" in which insurance men got the ball rolling on a safety program with teeth. Mr. Wilkoff retold this story, describing how he and fellow insurance men in the Youngstown area had fretted for years over the fact that Youngstown had the highest automobile liability rates in the state. In a very dubious position of distinction, Mr. Wilkoff said, his city at one time had the highest liability rates in the nation.

When the "Youngstown story" began in 1951, there was a fatality rate of 28 plus. In two years, this was cut to 6. Pedestrian deaths, for example, were reduced to zero for 1953 after the safety council—which had been reactivated largely under the aegis of this group of insurance men—secured police, newspaper and civic group cooperation in the enforcement of an old jay-walking ordinance.

When figures were conclusive, the agents approached the National Bureau. A 48 hour meeting was attended by trustees of the Youngstown Assn. of Insurance Agents, a number of members without portfolio, police, safety council, court and other civic officials. W. H. Brewster, manager of the automobile division of the bureau, attended as a result of the convincing evidence of accomplishment. Automobile liability rates were reduced for that city in what is, perhaps, the first

pin-pointed rate reduction ever made under similar circumstances. B. P. McMackin, Jr., assistant editor of the "Fire, Casualty and Surety Bulletins" of the National Underwriter Company, discussed automobile marketing problems and the possibilities—legislative and otherwise—for the future. He pointed out that the initial shock of direct-writer, non-agency system competition in automobile may now have worn off at least to the extent that insurance men are regaining some composure about the situation.

He described some recent developments, such as unsatisfied judgment coverage, extended medical payments, and a proposal which has been advocated by Ohio Assn. of Insurance Agents, a medical payments set-up under which every person injured in an auto accident would have some form of reimbursement. He also described the compensation approach to automobile coverage and a scheme developed by a Pacific Coast authority under which negligence law would be "watered down" through a set schedule of benefits payable to injured parties. But without impairment of their right to sue on negligence grounds if they chose.

Each of these schemes has something to be said for it, Mr. McMackin said, but the business will probably come up with a better answer sooner or later. Meanwhile, perhaps first rank of importance should be given to highway accident prevention and plenty of use of every opportunity by insurance men to make it known to every citizen how much insurance companies are doing to eliminate highway carnage.

A question from the floor obviously expressed a very real concern of Ohio insurance men in particular. Why, it was asked cannot there be some form of rate recognition for graduates of qualified driver training courses? Mr. McMackin answered he thinks the companies are trying to work out something on this. They know that companies such as Allstate and Farm Bureau are using driver-training credits effectively.

He predicted that Ohio Bureau companies will have some form of credit for these graduates within a period of six weeks to six months.

Monday's program lasted 12 hours, beginning with a rural agents' breakfast and concluding in the evening with a fire prevention display put on by Ohio Fire Prevention Assn. Robert W. Leedy, Crum & Forster, president, was in charge, and aside from demonstrations there was a talk by Chief C. J. Shields of Dayton fire prevention bureau.

Hardly a topic was overlooked by the program framers. There were sessions on sales, public relations and the National association on Tuesday.

C. D. Rosencrans of Lebanon handled the sales meeting, at which the speaker was Jack C. Nisbet, president of Agricultural Selling.

M. J. Whitmar, vice-president of Dierman & Co., advertising agency of Cincinnati, spoke on public relations. He outlined the advertising campaign his firm prepared for the Thomas E. Wood agency of Cincinnati which won the Insurance Advertising Conference highest honors this year. Mr. Whitmar also presented an outline of an advertising campaign for agents which attacks direct writers. He advised agents when advertising to avoid repetition of something not designed to make people buy. The public is apathetic to advertising, he said, and an ad has to offer more than a trick say-

## Ohio Agents See Their Liaison Committee at Work

COLUMBUS—A demonstration of how its inspection bureau liaison committee performs was given Ohio Assn. of Insurance Agents at the annual convention here. The committee went through all the motions of conducting a session with bureau representatives. Taking the occasion to thresh over some current problems of interest, the mock meeting was conducted before a packed house.

Willard G. Lauterbach, Columbus, liaison committee chairman, made a few introductory remarks and from then on attempted to ignore the audience and become part of the drama. The agents committee was represented by Harry T. Minister, Columbus; Hoyt G. Whitney, Sunbury; D. H. Rutherford, Athens; A. J. Lenke, Cincinnati; Donald Johnston, Springfield; A. W. Henry, Lima; T. K. Boyd, Toledo; H. S. Parsons, Cleveland, and J. D. Darrah, Akron. Allen C. Guy of Western Adjustment participated, and the bureau was represented by Roy L. Julian, manager and Harry L. Krieger and Frank R. Middaugh, assistant manager.

Number one on the agenda, and topic causing the most conversation, was the Ohio law preventing foundations from being considered a part of the building in settling losses. Foundations can only be covered by a specific amount of insurance and they must be specifically described. The question was how to get around this, and Mr. Lauterbach brought out that this is becoming a real problem with the agent of AEC and all kinds of broad dwelling forms that cover damage to foundations but which can't be paid in Ohio under the law. Guy gave a brilliant exposition of the theory of the law, traced its history, brought it up to date, reviewed the situation from all angles, but was unable to offer a solution. In fact, it was decided the only answer is remedial legislation.

ing. Harold C. Burrell of Delaware presided at this session.

Arthur M. O'Connell of Cincinnati, a National association trustee, handling the NAIA portion of the program, waxed enthusiastic over the position of Ohio in national affairs. Not only is the association well handled internally, he said, it has great standing in NAIA. The General Motors case has given Ohio influence and has made a tremendous impression on the rest of the country, he declared, and if the agents can win out on the issue of competitive WC, Ohio will stand above any state in accomplishment.

Touching briefly on current national problems, he observed that the agents can compete on a price basis with specialty companies any time they choose, but only by surrendering their rights. NAIA is agreed, he added, that there is no need for panic. That this is no time to give up what has been accomplished.

Speaker at the banquet Tuesday evening was Dr. Norman Vincent Peale, pastor of Marble Collegiate Church, New York.

### Rural Agents' Breakfast Opens Ohio Convention

(CONTINUED FROM PAGE 37)  
They are restrictive and when compared with stock company coverage the choice is automatic. Of course, the

difference in price also implies that an agent will render service, he observed, and if this item is overlooked the agent can expect to lose out to township mutuals and direct writers.

The panel, over which Mr. Hendrixon presided, consisted of B. W. Phelan, Versailles, chairman of the farm writing subcommittee; Fred Schroer, Home; Max B. Elder, Delaware, chairman of the casualty committee; Charles R. Fraeber, Century Indemnity; Robert E. Gorman, Paulding, fire sub-committee chairman and J. W. Rutter of Ohio Inspection Bureau. The questions asked showed clearly that the audience was composed of working insurance agents.

The toughest problem for the panel was how stock company agents can compete with local mutuals on the issue of the fire department service clause. The stock companies get a good rate for this, while many small mutuals give it away. The clause covers a farmers contractual liability with fire departments for making runs to his property.

Mr. Phelan, who makes a practice of tossing in at least one barbed question each year, asked what the farmer

might expect his measure of recovery to be for standing grain under the new broad form. How will the companies pay and on what basis?

It will be on the value of the crop after harvest, less harvesting cost. If a farmer has 20 acres in grain, and expect 20 bushels per acre at \$2 a bushel, or a total value of \$800, his loss will be considered \$800 less harvesting cost and perhaps a small percentage for moisture content.

There was also a good deal of discussion on fire department classifications under the new farm schedule. Mr. Rutter said the classification system was introduced only a year ago and interest is building up over getting more departments class A credits. He mentioned that many agents have been helpful in doing the work to get communities to take action on this matter. Two of the Ohio association achievement award plaques were presented during this session, one going to Mr. Hendrixon and the other to Robert L. Engle, retired Ohio farm manager of Home, who is now keeping his hand in by conducting a small agency. Mr. Engle, incidentally, was called upon several times during the question and answer session to give his advice.

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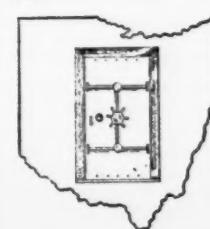
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## Wisconsin Agents Elect Batenburg President

(CONTINUED FROM PAGE 2)

some states the three year term discount is being reduced from 2.5 to 2.7 times the annual rate. "You don't have to be much of a mathematician to foresee the end of term policies, and an increase in your operating costs," the speaker said.

Direct solicitation by company field men received criticism from Mr. Timm. Though commission on business so solicited goes to an agent, he said producers should resent and object to the practice and what it implies, that the field man can do a better job than the agent. He added, "When a company that you have tried to represent well for many years appoints another agent to please an account solicited directly by the special agent, it is time to re-examine the value of loyalty."

Referring to the note of optimism with respect to the automobile situation, "spelled out to a degree at the NAIA convention," Mr. Morrissey in his report of administration said the loss of good risks to specialty companies already has left an indelible scar on most agency companies. If company profits in auto liability lines continue, the speaker said he believes insurers must devise some means rate-wise to assist agency forces in bringing desirable risks back into the fold. He added that professional underwriting can best be performed by professional agents exercising good faith with both companies and assured. Good faith by companies in the appointment of qualified agents is a vital requirement to a lasting solution.

Mr. Morrissey tossed in the lap of the National Bureau the compulsory automobile threat in Wisconsin. He mentioned that the state motor vehicle insurance committee, which last June after months of study reported to the legislative council there is no need in Wisconsin for a compulsory law or unsatisfied judgment fund, feels the insurance industry as a whole must come up with some concrete alternative if compulsory is to remain short of reality.

The bureau, Mr. Morrissey said, "seems to have displayed a reluctance in spite of recent developments in Wisconsin to keep pace with certain other company organizations operating here in working at, if not working out, a voluntary plan aimed at defeat of compulsory automobile insurance."

Also in the legislative area, Mr. Morrissey said the Wisconsin association is convinced an effective agents' qualification law "will at last receive sufficient support in the 1955 legislature for passage."

The new president started in insurance in 1937 as a broker with Carpenter-Rowland at Racine. After navy service Mr. Batenburg bought a Racine agency, combining it with his brokerage business. Earlier this year he combined his agency with the firm that gave him his insurance start. He serves as executive vice-president and treasurer of Carpenter-Rowland-Batenburg Co. and becomes the third member of the firm to head the Wisconsin association. In association activity since 1939, he was president of the Racine board when it won the national NAIA accident prevention award.

Keeping the auto situation in the convention forefront was a presentation of the agent and company points of view by Barney Phalen, Versailles, O., agent, and James M. Cahill, secretary of National Bureau.

Results of a recent survey among di-

rect writer auto policyholders were reviewed by Mr. Phalen. Indicative of their progress, he said over the past five years one direct writer had a 294% premium increase, and four others showed considerably more than 100% increases, contrasted with a 60% gain for stock companies. The survey spelled out the inroads the principal DW's have cut, 57% of their business coming from the accounts of agents. Price, the big reason for changing, was the cause in 69% of the cases.

The survey indicated direct writer policyholders are loyal, Mr. Phalen commented. However, some 34% said they would return to the agency company fold if the price differential were about \$10.

The public's favor of a six-month auto policy was clearly shown in the survey, Mr. Phalen said. He opined this is something the agency insurers will have to offer. The only way to stem the direct writer tide, he said, is immediate action on the part of agents and companies to cut premium differentials to the minimum.

Mr. Phalen called for a merging of the functions of National Automobile Underwriters Assn. with those of the National Bureau. Membership of auto finance insurers in NAUA injects error in its experience figures, he contended. By handling both physical and property damage auto rating, he said he believes much expense saving standardization could be effected.

Mr. Cahill said the bureau rate structure review now is in progress and consideration is being given not only experience but also the competitive situation. Companies recognize the difference in commission scale is not the only reason bureau rates must be higher than those of other insurers. Contributing to this is the adverse selection against bureau companies because of price difference. The good risk can go to the insurer making the most attractive offer. Also, bureau companies are forced to write a lot of business on an accommodation basis. Not taken policies and accompanying free insurance constitute a big expense for bureau members. Were this problem eliminated, Mr. Cahill said the savings could make a 5% rate cut possible. Class 2 risks, something the bureau companies have too much of, add materially to the rate level paid by other classes. Class 2 business never has and is not now paying its way. In Wisconsin the class adds 10% to the rate level for other risks.

According to Mr. Cahill, the bureau is considering several proposals that could greatly lessen the price problem. Modification of the classification plan, something he thinks would benefit stock company agents more than others, is being studied. He said it is possible a credit will be allowed women drivers under age 25 as their experience appears to be much better than males of that age.

Reduction of work in handling auto policies to effect savings that can be passed on to assured is a principal goal, Mr. Cahill said. Among ideas receiving consideration are policies with a minimum of typed information and endorsements, or perhaps continuous policies. Much clerical work could be performed by companies, such as preparation of premium bills on modern machines. This could make 6-month premiums more practical. He commented here he was not advocating direct billing. Another idea that could help would be making premiums due at or before inception of policies to eliminate those that are not taken.

In response to a question, Mr. Ca-

## Late News Bulletins . . .

(CONTINUED FROM PAGE 1)

financially irresponsible motorist is that producers, who are vitally concerned with what happens to the automobile line, can push such a program without the insurers. Of course, they would prefer some solution to the threat of compulsory that doesn't get as close to compulsory as this route would bring the FR law, and they would rather have insurer support than do without it.

However, stock agency insurers are pretty badly divided on the solution to compulsory which they currently are considering—a voluntary program with free UJ cover. There is a membership meeting in New York Oct. 27 of Assn. of Casualty & Surety Cos. to wrestle with this subject, and members of New York State Assn. of Insurance Agents, at the request of its officers, have been writing insurers urging that they come up with a program ahead of the next legislature, which certainly will get into the subject in a prominent way.

John G. Mayer, executive secretary of the agents association, said at Garden City that the prospects are dim for a unanimous agreement by agency stock companies on the voluntary plan. The industry, he said, is split down the middle. He said that last Saturday at a meeting in Syracuse directors considered a program that would be alternative to the voluntary plan, if the companies do not agree on that program. Directors, he said, voted to support any plan proposed by the companies, but if they do not come up with one, the agents association was authorized by its directors to proceed on the alternative—which he did not disclose.

### Miller Maryland Casualty Vice-President

H. Ellsworth Miller, formerly chief claims attorney of Maryland Casualty, has been elected vice-president in charge of claims, succeeding the late W. Kenyon Lloyd.

After practicing law for two years, Mr. Miller joined Maryland Casualty in 1935 as an attorney in bonding claims. In 1950 he was appointed chief claims attorney and, in addition to his other duties, had supervision of all bonding claims.

### Insurers Already Had Done It

In view of the request of Commissioner Bisson of Rhode Island that insurers extend the time for filing proof of loss beyond the customary 60-day requirement in case of hurricane claims, it is interesting to note that a good many insurers already had acted to do this.

The committee on adjustments and the committee on laws of National Board at a joint meeting Oct. 6 unanimously recommended to the executive committee that the 60-day requirement be extended 60 days, which provides insured 120 days in all, and member insurers of National Board were notified of this action. This recommendation would apply to losses from Hurricanes Carol, Edna and, presumably, Hazel, in any state affected, not just to Rhode Island. Though the executive committee of National Board was not scheduled to meet till Oct. 28, it was indicated that many insurers were ready to follow the recommendation.

hill said it is rather common knowledge that a revision of the standard auto policy is in the making and may be out in 1955.

A sparkling program was staged at the opening convention event, the dinner conference for local and county officers. A safety demonstration featuring the use of trained dogs was presented by Captain C. A. Dunifon of the Fort Wayne, Ind., police department. Capt. Dunifon showed how he uses the dogs before grade school children to impress them with the importance of following safety regulations. A host of ideas on how local boards can step up their activities was given by William J. Graul, Allentown, Pa., agent.

Some tips on advertising were given by James F. White, advertising director of Maryland Casualty. He observed advertising will never do for the insurance man what it does for some other industries because no person actually wants what the insurance man has to sell. Instead, insurance is purchased because someone is afraid to do without it, not because it is wanted. Generally, advertising merely directs a desire to buy that already exists.

Mr. White said he doesn't think agents should spend any advertising money until they have a clear cut objective. He contended the only valid goal of local agent advertising is the selling of himself as a person, rather than insurance. He should attempt through advertising to point out something different about himself, something he has to offer that others don't. He should attempt to make the com-

munity conscious of him as the insurance man.

At the banquet Tuesday evening, addressed by Gov. Kohler, the annual WAIA insurance scholarship was awarded to James Dammick of Black River Falls, a junior in the University of Wisconsin business school. Also a guest at the banquet was Carl Foesch, 16, Monroe, winner of the association's fire poster contest.

Two breakfast sessions opened Wednesday's sessions. Metropolitan and large lines agents considered problems of particular interest to them, with Mr. Zendzian presiding. Comprising an all-Chicago panel for farm writing agents were J. E. Cryan, secretary of America Fore, president of Farm Underwriters Assn.; J. R. Munson, farm superintendent of Fireman's Fund; H. G. Bannerman, farm superintendent of Hartford Fire, and K. S. Ogilvie, assistant manager of Western Underwriters Assn.

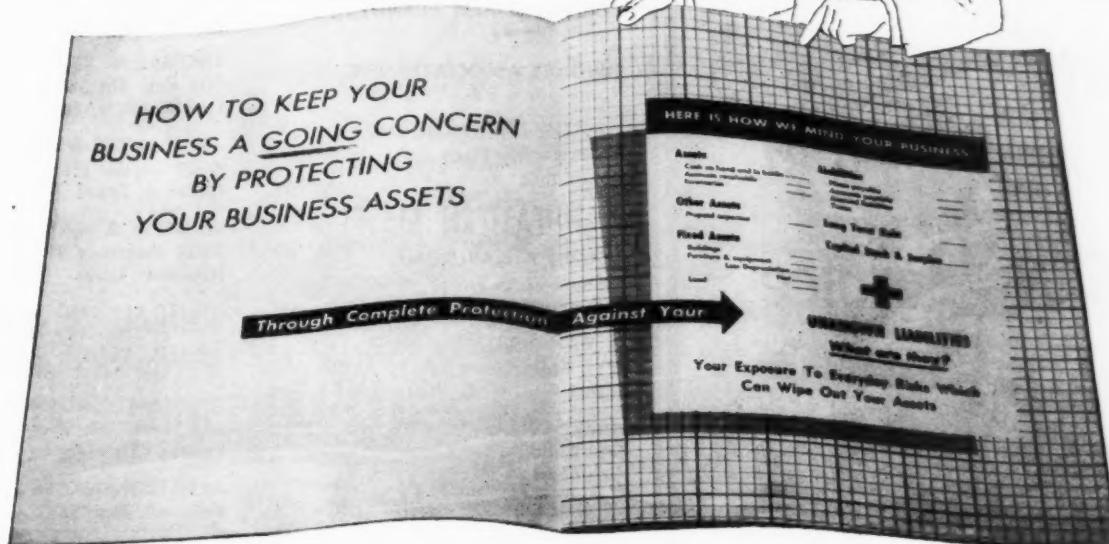
Mr. Timm then moderated a homeowners' policy panel, consisting of Wisconsin field men J. L. Mauriton, Fireman's Fund; T. L. Mulcahy, National Fire, and Eli Shupe, Home. The closing luncheon was addressed by Arthur L. May chief clerk of the Wisconsin assembly.

**FRED C. CLARKE**, 55, vice-president of Rhode Island Assn. of Insurance Agents and first president of Jamestown Rotary Club, died at his home in Jamestown, R. I. In 1922 he joined the agency founded in 1914 by his father and in 1934 he formed a partnership with Leroy F. Meredith.

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